WORKSHOP MEETING OF THE
BOARD OF DIRECTORS WITH MET DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Conference Room 101, Fountain Valley, California
May 7, 2025, 8:30 a.m.

Teleconference Sites:
25652 Paseo De La Paz, San Juan Capistrano, CA 92675
17420 Walnut Street, Fountain Valley, CA 92708
2800 Keller, #301, Tustin, CA 92782

This meeting will be held in person at 18700 Ward Street, Fountain Valley, California, 92708 (Conference Room 101). As a convenience for the public, the meeting may also be accessed by Zoom Webinar and will be available by either computer or telephone audio as indicated below. Because this is an in-person meeting and the Zoom component is not required, but rather is being offered as a convenience, if there are any technical issues during the meeting, this meeting will continue and will not be suspended.

Computer Audio: You can join the Zoom meeting by clicking on the following link:
https://zoom.us/j/8828665300

Telephone Audio: (669) 900 9128 fees may apply
(877) 853 5247 Toll-free
Webinar ID: 882 866 5300#

AGENDA

PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC PARTICIPATION/COMMENTS
At this time members of the public will be given an opportunity to address the Board concerning items within the subject matter jurisdiction of the Board. Members of the public may also address the Board about a particular Agenda item at the time it is considered by the Board and before action is taken.

The Board requests, but does not require, that members of the public who want to address the Board complete a voluntary "Request to be Heard" form available from the Board Secretary prior to the meeting.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED
Determine need and take action to agendize item(s), which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present or, if less than two-thirds of the Board members are present a unanimous vote.)

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING
Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection in the lobby of the District's business office located at 18700 Ward Street, Fountain Valley, California 92708, during regular business hours. When practical, these public records will also be made available on the District's Internet Web site, accessible at http://www.mwdoc.com.

NEXT RESOLUTION NO. 2158

PRESENTATION/DISCUSSION ITEMS

1. METROPOLITAN BUSINESS MODEL UPDATE

Recommendation: Discuss and file the information presented.

2. LEGISLATIVE ACTIVITIES

a. Federal Legislative Report (NRR)
b. State Legislative Report (SDA)
c. Legal and Regulatory Report (Ackerman)
d. County Legislative Report (Whittingham)
e. MWDOC Legislative Matrix
f. MET Legislative Matrix

Recommendation: Review and discuss the information presented.

3. QUESTIONS OR INPUT ON MET ISSUES FROM THE MEMBER AGENCIES/MET DIRECTOR REPORTS REGARDING MET COMMITTEE PARTICIPATION

Recommendation: Receive input and discuss the information presented.

ACTION ITEM

4. SB 601 (ALLEN) – WATER: WASTE DISCHARGE

Recommendation: Adopt an Oppose position on Senate Bill 601 (Allen).

5. ACR 36 (CARRILLO) – SPECIAL DISTRICTS WEEK 2025

Recommendation: Adopt a support position on Assembly Concurrent Resolution 36 (Carrillo) and join the California Special Districts Association's (CSDA) coalition and outreach efforts.

6. CONJUNCTIVE USE PROGRAM AGREEMENT TERMINATION

Recommendation: Authorize the General Manager to execute the Orange County Conjunctive Use Program Termination Agreement with the Metropolitan Water District of Southern California and Orange County Water District.

INFORMATION ITEMS

7. MET ITEMS CRITICAL TO ORANGE COUNTY (The following items are for informational purposes only – a write up on each item is included in the packet. Discussion is not necessary unless requested by a Director).

a. MET's Finance and Rate Issue
b. MET's Water Supply Condition Update

c. MET's Water Quality Update
d. Colorado River Issues
e. Delta Conveyance Activities and State Water Project Issues

Recommendation: Review and discuss the information presented.

8. METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

a. Summary regarding April MET Board Meeting
b. Review items of significance for MET Board and Committee Agendas

Recommendation: Review and discuss the information presented.

ADJOURNMENT

Note: Accommodations for the Disabled. Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning Maribeth Goldsby, District Secretary, at (714) 963-3058, or writing to Municipal Water District of Orange County at P.O. Box 20895, Fountain Valley, CA 92728. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodations should make the request with adequate time before the meeting for the District to provide the requested accommodations.

Item No. 1

DISCUSSION ITEM
May 7, 2025

TO: Board of Directors

FROM: **Harvey De La Torre, General Manager**

Staff Contact: Melissa Baum-Haley
Alex Heide

SUBJECT: **METROPOLITAN BUSINESS MODEL UPDATE**

STAFF RECOMMENDATION

It is recommended that the Board of Directors discuss the information.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT

At the July 2024 Subcommittee on Long-term Regional Planning Processes and Business Modeling (Subcommittee), Board leadership established an ad hoc working group comprised of Member Agency general managers to review Metropolitan's business model. The Subcommittee provided direction to the general managers to develop a series of "straw person" proposals for the CAMP4W Task Force to consider by March/April 2025. The direction from the Subcommittee also specified that the following factors and opportunities be considered:

1) Treated Water Cost Recovery
2) Metropolitan's role in Member Agency local supply development
3) Potential Member Agency supply exchange program
4) Proportion and components of fixed and volumetric charges
5) Conservation program and funding source(s)

Following the direction provided by the Subcommittee, Metropolitan's 26-member agency General Managers signed onto a letter that outlined the framework for collaboration to vet major elements of the Metropolitan business model. The established process included two offsite retreats and the hiring of a professional facilitator, Ken Kirby of Evotoco LLC. The ad

Budgeted: ☐ Yes ☐ No ☐ N/A	Budgeted amount: N/A	Core: ☐	Choice: ☐
Action item amount: N/A	Movement between funds: ☐ Yes ☐ No		

hoc working group's goal was to develop a report to the Subcommittee by Spring 2025, that outlined collaborative business model recommendations that the Board could ultimately consider.

At the Subcommittee on April 22, 2025, the Ad Hoc Working Group advanced a status report and recommendations (Attachment 1) for the following areas for further exploration:

Financial	Water Resources	Engineering
1. Treated Water Cost Recovery 2. Reserve Policy 3. Water Sales Assumption for Budgeting Purposes 4. Voluntary Level Payment Plans 5. Proportions of Fixed and Volumetric Charges	1. Member Agency Exchange Programs 2. Policy to Support Sales Outside of Service Area 3. Conservation and Local Resource Planning 4. Wet-Year Water Acquisition Policy	1. Basic Level of Service 2. Member agency requests for system flexibility improvements

The Subcommittee provided direction to Metropolitan staff to bring information and action items as appropriate to the Metropolitan committees of jurisdiction to begin the process of incorporating the recommendations in the FY2026/27 and FY2027/28 biennial budget. These recommendations will start working through Metropolitan's regular Board process for further discussion and refinement.

MWDOC Staff will present a status update on the Metropolitan Business Model.

ALIGNMENT WITH BOARD STRATEGIC PRIORITIES

- ☒ *Clarifying MWDOC's mission and role; defining functions and actions.*
- ☒ *Balance support for Metropolitan's regional mission and Orange County values and interests.*
- ☐ *Strengthen communications and coordination of messaging.*
- ☐ *Work with member agencies to develop water supply and demand objectives.*
- ☒ *Solicit input and feedback from member agencies.*
- ☐ *Invest in workforce development and succession planning.*

List of Attachments/Links:

Attachment 1- April 22, 2025 Business Model Report & Subcommittee Presentations

Prepared for The Metropolitan Water District of Southern California Subcommittee on Long-Term Regional Planning Processes and Business Modeling

April 2025

REPORT BY THE

Business Model Review and Refinement Ad Hoc Working Group

Metropolitan Adapting to Water Supply Variability

Extreme weather conditions in recent years – abruptly swinging the state from periods of severe and extended drought to record-setting wet seasons – have presented Southern Californians with an unsettling preview of the challenges ahead. There is no question that climate change is here and putting mounting pressure on the year-to-year management of available water resources.

To help ensure the continued reliability and affordability of water supplies for all Southern California communities, The Metropolitan Water District of Southern California (Metropolitan or MWD) is developing the Climate Adaptation Master Plan for Water (CAMP4Water) – a roadmap that will guide Metropolitan's planning and decision-making on investments in water management and related infrastructure. As the CAMP4Water was being developed, Metropolitan decided to evaluate its business model to ensure it would support Metropolitan given the new climate reality and possible flat or declining water demands in southern California.

MWD | Addressing Climate Change (MWDH2O.com/Addressing-Climate-Change)

Charge Given to the Ad Hoc Working Group

On July 22, 2024, Metropolitan's Chair of the Board of Directors, Vice Chair of the Board of Directors for Finance and Planning, and Chair of the CAMP4Water Task Force (Board Leadership), commissioned an ad hoc working group comprised of the general managers of Metropolitan's 26 Member Agencies (Ad Hoc Working Group) to evaluate Metropolitan's business model and propose refinement options, where appropriate. In its July 22nd letter, Board Leadership directed the Ad Hoc Working Group to ensure that it considers five factors and opportunities: (1) treated water cost recovery; (2) Metropolitan's role in Member Agency local supply development; (3) potential Member Agency supply exchange program; (4) proportion and components of fixed and volumetric charges; and (5) conservation program and funding source(s). A copy of the July 22, 2024, letter is attached as Attachment 1.

Ad Hoc Working Group's Facilitated Process

Metropolitan's 26 Member Agencies came together to form the Ad Hoc Working Group with the intent to follow the facilitated, thorough and deliberate process described in a letter dated August 19, 2024. A copy of that response letter is provided as Attachment 2. The process has been inclusive of all Member Agencies and allowed multiple opportunities for each Member Agency to engage on potential business model refinements. The work of the Ad Hoc Working Group was grounded in the need to: (1) stabilize Metropolitan's revenues; (2) embed flexibility and capacity to adapt to climate change; and (3) address the five above-mentioned factors and opportunities. The Ad Hoc working group provided holistic oversight and review of Business Model Refinement concepts and proposals. Attachment 3 consists of tables to illustrate the alignment and consistency of the proposed business model refinements with the overarching objectives of CAMP4Water, the five factors outlined by Board Leadership, and the goals identified by Member Agencies. Additionally, a table is provided to demonstrate the inter-relationships between the proposed business model refinements.

The Ad Hoc Working Group initiated its work with a two-day retreat, held on October 10 and 11, 2024, which focused on ensuring the members of the Ad Hoc Working Group reached agreement on the collaborative approach it would follow (facilitated broad agreement), shared a common understanding of Metropolitan's existing business model, and collectively identified strengths, weaknesses, opportunities, and threats (SWOT) to Metropolitan's current business model. Due to the importance and time sensitivity of this assignment, the Ad Hoc Working Group agreed to have monthly workshops that required a significant time commitment.

Building on that foundation, the Ad Hoc Working Group held a series of five workshops focused as follows:

November 15th Workshop No. 1

- Reviewed SWOT results.
- Conducted an exercise using "The Business Model Canvas" (Osterwalder and Pigneur, 2010).
- Discussed Metropolitan's value propositions.
- Brainstormed potential areas to explore for business model refinement.

December 13th Workshop No. 2

- Identified 15 potential business model refinement topics for further evaluation and analysis.
- Agreed to form three sub-working groups (finance, water resources, and engineering) and identified which potential refinements would be evaluated by each sub-working group; each sub-working group was led by MWD staff.
- Recognized that the potential refinements may need to be advanced on different time horizons.
- Committed to follow through on agreed-upon refinement proposals, after presentation to Task Force.

January 24th Workshop No. 3

- Reached conceptual agreement on charters for each of the three sub-working groups.
- Received updates from each sub-working group.
- Discussed progress of work plans.

February 21st Workshop No. 4

- Offered an opportunity for Member Agencies and Metropolitan staff to raise topics for discussion with the Ad Hoc Working Group.
- Reviewed potential refinements the Ad Hoc Working Group identified in previous workshops; agreed on which items would be explored further and which items would not be evaluated in detail prior to presentation of Working Group work product to the Task Force.
- Discussed and agreed upon an approach to synthesize and integrate the deliverables expected from the sub-working groups.

March 12th Workshop No. 5

- Reviewed, discussed, and agreed on recommendations to be presented to the Task Force.
- Discussed an approach to continuing refinement work, coordinating with the Task Force, and advancing each item, as appropriate, to the Committee with jurisdiction over the item.

April 10th Workshop No. 6

- Discussed progress to date and alignment on proposed recommendations captured in draft synthesis report for consideration by the Task Force at its April 22 meeting.
- Discussed proposed presentation for April 22 Task Force meeting.



Foundational Point of Agreement: Metropolitan's Value Proposition

At the November 15th Workshop No. 1, the Ad Hoc Working Group discussed the value propositions of Metropolitan as a central element of its business model and referenced its mission statement for context:

> *"The mission of Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way."*

There was broad agreement and acknowledgement that Metropolitan provides value to its Member Agencies as a collective that could not be achieved by a Member Agency individually. Further, the Ad Hoc Working Group identified three important components of the value proposition: (1) safe and reliable water; (2) stable, predictable, and affordable rates and (3) an adaptable and resilient water system.

Formation of Three Sub-Working Groups

After the December 13th Workshop, the Ad Hoc Working Group created three sub-working groups, primarily focused on the areas of finance, water resources, and engineering. Each sub-working group was led by Metropolitan staff who consulted with and relied upon the expertise of other Metropolitan staff and the Member Agency representatives participating in the sub-working group.

Each sub-working group was asked to prepare recommendation(s) for the Ad Hoc Working Group's consideration and include with each recommendation a clear and concise description of the objective the recommendation is intended to address, alternatives evaluated, the benefits and drawbacks of each alternative, and the basis for the recommendation. The complex nature of this process coupled with time constraints necessitated frequent meetings and communication among participants.



Culmination of Six Months of Work: Achievements at this Milestone

Initially, the Ad Hoc Working Group was working towards recommendations that were highly detailed and immediately implementable. However, the Ad Hoc Working Group had to temper its expectations because of the six-month period within which it needed to produce recommendations, the number of items it needed to address, and the complexity of most, if not all, of the items it was considering. The Ad Hoc Working Group is proud of the results.

A significant outcome of the effort has been meaningful improvements in the following areas: (1) the understanding of the common and varied interests of Metropolitan's Member Agencies, and (2) the working relationships and trust among the Member Agencies and between the Member Agencies and Metropolitan. That was the result of the deliberate structure for the discussions outlined above, which was built on a recognition that Metropolitan's business model must adapt to support Metropolitan's mission into the future and during which there were meaningful opportunities to interact, "actively" listening was encouraged, and biases or assumptions challenged. The Ad Hoc Working Group identified the following topics it wanted to explore.

1. Treated Water Cost Recovery
2. Reserve Policy
3. Water Sales Assumption for Budgeting Purposes
4. Voluntary Level Payment Plans
5. Member Agency Exchange Programs
6. Policy to Support Sales Outside of Service Area
7. Conservation and Local Resource Planning
8. Basic Level of Service
9. Wet-Year Water Acquisition Policy
10. Proportions of Fixed and Volumetric Charges

After discussing those topics (to varying degrees), the Ad Hoc Working Group presents in a status report and the recommendations in Attachment 4.

As directed by the Subcommittee, Metropolitan staff will bring informational and action items, as necessary, to the Metropolitan committees of jurisdiction as soon as practical (targeted action by August 2025) to incorporate into the FY 2026/27 and FY 2027/28 biennium budget which establishes rates and charges for calendar years 2027 and 2028. For other items, Metropolitan staff will work with Member Agencies to finalize recommendations in advance of the FY 2028/29 and FY 2029/30 biennium budget for incorporation into rates and charges for calendar years 2029 and 2030.



ATTACHMENT 1

July 22, 2024, Guidance Memorandum

GUIDANCE FOR BUSINESS MODEL REVIEW AND REFINEMENT
AD HOC WORKING GROUP

TO: GENERAL MANAGERS, Metropolitan Member Agencies

FR: ADAN ORTEGA, Board Chair
GAIL GOLDBERG, Board Vice Chair for Finance and Planning
MATT PETERSEN, CAMP4W Task Force Chair

DA: July 22, 2024

Background and Composition
As part of the Climate Adaptation Master Plan for Water (CAMP4W) Task Force, a business model review and refinement process has begun. The Task Force is working to create a Master Plan for consideration by the MWD Board that considers the impacts of climate change upon water supply and the operations of MWD. As stated in the CAMP4W charter, this necessitates a review and refinement of the MWD Business Model. Therefore, the Task Force is commissioning an ad hoc working group comprised of the general managers of Metropolitan's 26 Member Agencies that will be managed and supported by MWD staff as well as include the MWD Board Chair, Board Vice Chair, Task Force Chair, Task Force Vice Chair and MWD General Manager as ex officio members to participate as needed and available.

Outcomes, Purpose, and Process
Given the expertise of Metropolitan's Member Agency Managers and their direct experience running the day-to-day operations and finances of their respective agencies, their input into the Business Model review process is essential. While the Task Force is asking for proposals related to specific issues now, there will be opportunities for discussing additional topics later in the process.

Specifically, the Task Force requests a series of "straw person" proposals—at least two and no more than five--for Task Force consideration. Each of these proposals should be grounded in the need to (1) stabilize Metropolitan revenues and (2) embed flexibility and capacity to adapt to climate change and to address the factors noted below of opportunity for Business Model refinement. The final proposals shall be reached by consensus of the working group. If consensus for at least two proposals cannot be reached, the ex officio members will determine which proposals will be presented to the Task Force.

A short progress report will be provided on the work of the ad hoc working group at each monthly Task Force meeting. By November 13, 2024, the final two to five proposals shall be finalized and transmitted to the Task Force for discussion.

To inform the first Business Model Review ad hoc working group meeting in August 2024, MWD staff will produce Business Model Working Memo #1 for review and discussion. The memo will include a description of Metropolitan's current business model along with a draft problem statement. Staff will continue to track progress and memorialize discussions as needed.

Factors for Consideration in Final Proposals
In the final two to five "straw person" proposals, the working group shall ensure the following factors and opportunities are considered and reflected:

1) Treated Water Cost Recovery (workshops already underway)
2) Metropolitan's role in Member Agency local supply development
3) Potential Member Agency supply exchange program
4) Proportion and components of fixed and volumetric charges
5) Conservation program and funding source(s)



ATTACHMENT 2

August 19, 2024, Member Agency Letter

August 19, 2024

Mr. Adán Ortega Jr., Board Chair
Ms. Gail Goldberg, Board Vice Chair for Finance and Planning
Mr. Matt Petersen, CAMP4W Task Force Chair
Mr. Deven Upadhyay, Interim General Manager
Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, CA 90012-2944

Subject: BUSINESS MODEL REVIEW AND REFINEMENT AD HOC WORKING GROUP PROCESS

Dear Board Leadership and Interim General Manager Upadhyay,

Thank you for your July 22nd guidance letter regarding the development of a Business Model review and refinement Ad Hoc Working Group as we consider the impacts of climate change on Metropolitan's water supply and operations "***to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.***"

We further appreciate the Board Leadership's foresight and recognition that as Metropolitan's Member Agency Managers, we have expertise through our direct experience running our respective agencies' day-to-day operations and finances, which offers valued input into the Business Model review and refinement process.

Following the July 24th Subcommittee on Long-Term Regional Planning Processes and Business Modeling CAMP4W Task Force Meeting, we collectively reviewed and discussed your guidance letter and the Ad Hoc Working Group process. As the 26 Metropolitan Member Agency Managers, we propose the following framework for collaboration that includes at least two facilitated "retreats" to discuss and vet major elements of the process (see attached).

We look forward to embarking on a collaborative effort for review and refinement of the Business Model via the Ad Hoc Working Group and pledge our continued dedication to the success of Metropolitan's initiatives.

Sincerely,

Craig J. Parker, P.E., BCEE
Assistant General Manager, Water Services
Anaheim Public Utilities
City of Anaheim

Richard Howard Wilson, P.E.
Assistant General Manager – Water Systems
Burbank Water & Power

Kristine McCaffrey
General Manager
Calleguas Municipal Water District

Elaine Jeng, P.E.
Interim General Manager
Central Basin Municipal Water District

Nina Jazmadarian
General Manager
Foothill Municipal Water District

Chisom Obegolu, P.E.
Assistant General Manager – Water Services
Glendale Water & Power

David W. Pedersen, P.E.
General Manager
Las Virgenes Municipal Water District

Anselmo G. Collins, P.E., MBA
Senior Assistant General Manager – Water System
Los Angeles Department of Water and Power

Stacie N. Takeguchi
Chief Assistant General Manager
Pasadena Water & Power

Wendell E. Johnson, P.E.
Director of Public Works
City of San Fernando

Shana Epstein
Director of Public Works
City of Beverly Hills

Jessica Taylor
Director of Operations
California American Water/City of San Marino

Jose Garfias
Interim Water Department General Manager
City of Compton Water Department

Joe Mouawad, P.E.
General Manager
Eastern Municipal Water District

Stephen Bise, P.E., T.E.
Director of Public Works
City of Fullerton

Shivaji Deshmukh, P.E.
General Manager
Inland Empire Utilities Agency

Chris Garner
General Manager
Long Beach Utilities
City of Long Beach

Harvey De La Torre
General Manager
Municipal Water District of Orange County

Dan Denham
General Manager
San Diego County Water Authority

Cesar E. Barrera, P.E.
Deputy Public Works Director
Water Resources Manager
City of Santa Ana

Sunny Wang, P.E.
Water Resources Manager
City of Santa Monica

Matthew H. Litchfield, P.E.
General Manager
Three Valleys Municipal Water District

Andy Darlak
Water Operations Manager
City of Torrance

Tom Love
General Manager
Upper San Gabriel Valley Municipal Water District

E.J. Caldwell
General Manager
West Basin Municipal Water District

Craig Miller
General Manager
Western Municipal Water District

DRAFT FRAMEWORK FOR MWD AND MEMBER AGENCY
COLLABORATION ON BUSINESS MODEL REVIEW AND REFINEMENT

August 19, 2024

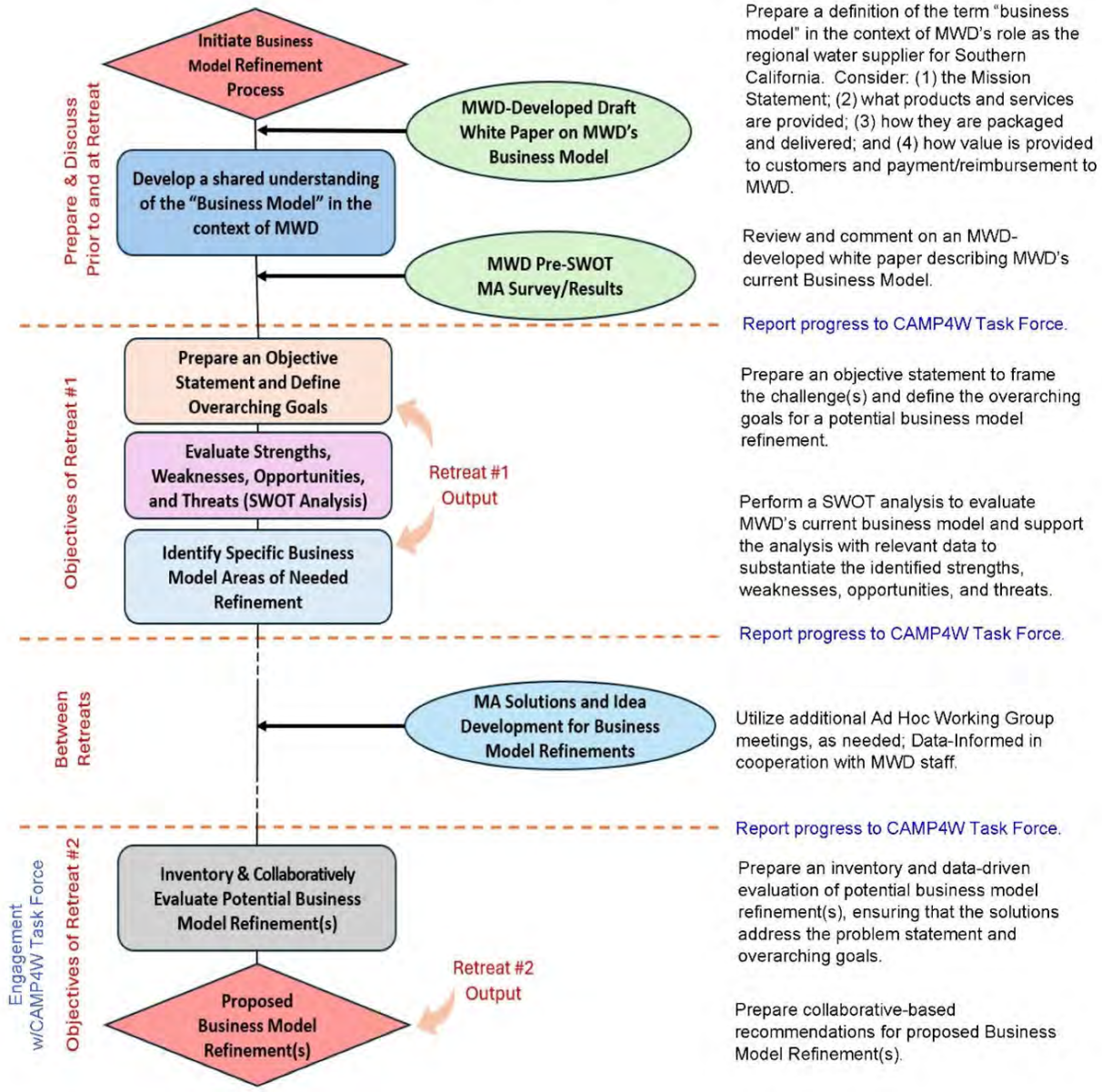
In response to the July 22nd guidance from Board Leadership, the Metropolitan Water District of Southern California (MWD) and its Member Agencies (MAs) propose to embark on a collaborative effort to review and refine the Business Model via an Ad Hoc Working Group.

The attached flow chart describes the proposed process. Following are the initial logistics for the effort:

- MWD and MA Managers jointly "own" the process, work products, and recommendations of the Ad Hoc Working Group.
- The Ad Hoc Working Group includes all 26 MA Managers and MWD's General Manager.
- MWD's General Manager will invite key MWD staff (subject matter experts) to actively participate, as needed.
- The Ad Hoc Working Group will organize at least two facilitated "retreats" to discuss and vet major elements of the process.
- To coordinate the Ad Hoc Group meetings/retreats, a MA Liaison group of MA Managers (four to six) serving on a volunteer basis will assist with the administrative elements of the process. MWD will hire a professional facilitator to support the Ad Hoc Working Group's retreats. The MA Managers' input will be considered in the selection of the facilitator.
- In preparation for the retreats, the facilitator should have the opportunity to receive input from the MWD General Manager and MA Managers.
- Board Leadership will be provided with an opportunity to address the Ad Hoc Working Group at the onset of the retreats.
- Progress updates will be given by the Ad Hoc Working Group at the Subcommittee on Long-Term Regional Planning Processes and Business Modeling meeting and/or appropriate committee at key milestones.
- The Ad Hoc Working Group's goal is to provide and present a deliverable report to the CAMP4W Task Force by March 31, 2025, with collaborative-based recommendations that can be subsequently considered by the Board.

Proposed Process for MWD Business Model Discussion

August 19, 2024



Prepare a definition of the term "business model" in the context of MWD's role as the regional water supplier for Southern California. Consider: (1) the Mission Statement; (2) what products and services are provided; (3) how they are packaged and delivered; and (4) how value is provided to customers and payment/reimbursement to MWD.

Review and comment on an MWD-developed white paper describing MWD's current Business Model.

Prepare an objective statement to frame the challenge(s) and define the overarching goals for a potential business model refinement.

Perform a SWOT analysis to evaluate MWD's current business model and support the analysis with relevant data to substantiate the identified strengths, weaknesses, opportunities, and threats.

Utilize additional Ad Hoc Working Group meetings, as needed; Data-Informed in cooperation with MWD staff.

Prepare an inventory and data-driven evaluation of potential business model refinement(s), ensuring that the solutions address the problem statement and overarching goals.

Prepare collaborative-based recommendations for proposed Business Model Refinement(s).

v1.1 (08/23/24)



ATTACHMENT 3

Alignment and Consistency of Business Model Refinements

and

Inter-Relationships of Business Model Refinements

Interrelationships between Business Model Refinement Proposals

Business Model Refinement	Treated Water Cost Recovery	Reserve Policy	Water Sales Assumption for Budgeting Purposes	Member Agency Exchange Program	Policy to Support Sales Outside of Service Area	Conservation and Local Resource Planning	Programs for Wet-Year Water	Level of Service Policy	Proportions of Fixed and Volumetric Charges	Voluntary Level Payment Plans
Treated Water Cost Recovery	✓	✓	✓						✓	✓
Reserve Policy	✓	✓	✓		✓				✓	✓
Water Sales Assumption for Budgeting Purposes	✓	✓	✓						✓	✓
Member Agency Exchange Program				✓	✓	✓		✓		
Policy to Support Sales Outside of Service Area		✓	✓	✓	✓	✓			✓	
Conservation and Local Resource Planning				✓	✓	✓	✓	✓	✓	
Programs for Wet-Year Water				✓	✓	✓	✓			
Level of Service Policy						✓		✓		
Proportions of Fixed and Volumetric Charges	✓	✓	✓		✓	✓			✓	✓
Voluntary Level Payment Plans		✓							✓	✓

Alignment/Consistency with Board Leadership Guidance Memo (July 22, 2024) – Five Factors

Business Model Refinement	Treated Water Cost Recovery	Metropolitan's Role in Member Agency Local Supply Development	Potential Member Agency Supply Exchange Program	Proportion and Components of Fixed and Volumetric Charges	Conservation Program and Funding Source(s)
Treated Water Cost Recovery	✓			✓	
Reserve Policy	✓			✓	
Water Sales Assumption for Budgeting Purposes	✓	✓		✓	✓
Member Agency Exchange Program		✓	✓		
Policy to Support Sales Outside of Service Area		✓	✓	✓	
Conservation and Local Resource Planning		✓	✓	✓	✓
Programs for Wet-Year Water		✓	✓		
Level of Service Policy		✓	✓	✓	✓
Proportions of Fixed and Volumetric Charges	✓			✓	✓
Voluntary Level Payment Plans	✓	✓		✓	✓

Alignment/Consistency with Top Member Agency Goals Identified at October 10-11 Retreat

Business Model Refinement	Supply Reliability	Predictable and Stable Rates	Adaptability / Resilience to Changing Conditions	Equity between Member Agencies	Regional Benefits / Cooperation
Treated Water Cost Recovery		✓	✓	✓	
Reserve Policy		✓	✓		
Water Sales Assumption for Budgeting Purposes		✓	✓		
Member Agency Exchange Program	✓	✓	✓	✓	✓
Policy to Support Sales Outside of Service Area		✓	✓		✓
Conservation and Local Resource Planning	✓	✓	✓	✓	✓
Programs for Wet-Year Water	✓	✓	✓		✓
Level of Service Policy	✓	✓	✓	✓	✓
Proportions of Fixed and Volumetric Charges		✓	✓		
Voluntary Level Payment Plans		✓	✓	✓	✓

Business Model Refinement	 Water Resources Planning	 Infrastructure Development	 Climate Adaptation	 Financial Planning/ Sustainability
Treated Water Cost Recovery	✓		✓	✓
Reserve Policy	✓		✓	✓
Water Sales Assumption for Budgeting Purposes	✓		✓	✓
Voluntary Level Payment Plans			✓	✓
Member Agency Exchange Program	✓	✓	✓	
Policy to Support Sales Outside of Service Area	✓		✓	✓
Conservation and Local Resource Planning	✓	✓	✓	✓
Level of Service Policy	✓	✓	✓	✓
Programs to Bring in More Wet-Year Water	✓		✓	✓
Proportions of Fixed and Volumetric Charges			✓	✓



ATTACHMENT 4

Recommendations

FINANCIAL POLICIES BUSINESS MODEL SUPPORT SUB-WORKING GROUP TREATED WATER COST RECOVERY

Status Report

Recommendations

There is broad recognition that action is needed, as the status quo (i.e. 100% volumetric) is not consistent with the Board's previously adopted Policy Principles on Treated Water.

After 11 months of analysis of various alternative approaches for Treated Water Cost Recovery, two (2) Member Agency proposals remain. Both of these alternatives received significant support from Member Agencies, but not broad consensus. While the two remaining alternatives have similar approaches in terms of fixing a portion of Metropolitan's treatment revenues (approximately 30%), differences exist in the billing determinants and allocation of the peaking fixed cost component that warrant further discussion. The key elements of both proposals are outlined below:

MARCH 14, 2025, MA PROPOSAL

Treatment Peaking Charge

- A fixed charge for peaking would be collected based on a 3-year trailing maximum annual peak day demand in cubic feet per second (CFS) (Alternative 2)

Used Treatment Standby Charge

- A fixed charge for used standby would be collected based on a 10-year trailing annual standby use, i.e. 10-year maximum annual use minus average use in acre-feet (Alternative C)

Remaining Treatment Standby Charge

- A fixed charge for remaining standby would be collected based on 5-yr trailing maximum annual use in acre-feet.
- This charge inclusive of the Peaking and Used Standby Charge would add up to 30% of the Treatment Revenue Requirements.

Treatment Volumetric Rate

- All remaining treatment costs would continue to be recovered on a volumetric rate.

Implementation Strategy for Peaking and Standby Fixed Charges

- There was broad support for phased-in implementation of the Peaking and Standby fixed charges to minimize initial member agency impacts and provide opportunities for member agencies to adjust operations accordingly:
  - Peaking = 3-year phase-in
  - Standby:
    Used = 10-year phase-in
    Remaining = 5-year phase-in

Adjustments / Certifications to Peaking Flows for All Alternatives

- MWD staff, including legal counsel, collaborated with Member Agencies on the language for proposed adjustments to Peaking Flows used to determine the peaking charge. However, staff was unable to identify an adjustment that would both meet cost of service requirements and comply with Proposition 26 (pursuant to a recent trial court ruling that its requirements apply to Metropolitan's wholesale rates and charges, which is currently on appeal).
- At the April 10, 2025 meeting, an alternative was proposed using the Summer Peak as the billing determinant (previously considered as Alternative 1). However, this option did not receive broad support from the Member Agencies based on prior questionnaire responses.
- Staff recommends continuing discussions with MAs through additional meetings in May, with the goal of reaching consensus on a proposal to be forwarded to the Board for consideration.

Items to be further reviewed before the FY2028/29 budget process

- Potential Regional Drought Reliability Charge (i.e., a portion of treated standby capacity that is used for the benefit of both treated and untreated users)
- Incremental Peaking (i.e. 3-year max daily minus 3-year average daily flows)
- Unused Standby Charge refinement to capture potential use of the unused standby capacity more closely than volumetric usage basis.
- MWD shall work closely with MAs to continue to identify opportunities to partially or fully decommission unneeded treatment infrastructure and minimize future O&M and capital expenditures, consistent with the 2017 Adopted Policy Principles on Treated Water.

FEBRUARY 2025 MA PROPOSAL

Treatment Peaking Charge (capped at 10% of total treatment costs)

- A fixed charge for peaking would be collected based on a 3-year trailing maximum annual peak day demand in cubic feet per second (CFS) (Alternative 2)

Treatment Standby Charge (capped at 20% of total treatment costs)

- A fixed charge for standby would be collected based on a 10-year trailing annual standby use, i.e. 10-year maximum annual use minus average use in acre-feet (AF) (Alternative C)

Treatment Volumetric Rate

- All remaining treatment costs would continue to be recovered on a volumetric rate.

Implementation Strategy for Peaking and Standby Fixed Charges

- There was broad support for phased-in implementation of the Peaking and Standby fixed charges to minimize initial member agency impacts and provide opportunities for member agencies to adjust operations accordingly:
  - Peaking = 3-year phase-in
  - Standby = 10-year phase-in

Adjustments / Certifications to Peaking Flows for All Alternatives

- Similar to the existing Capacity Charge, treated water peaking flows resulting from MWD's operational requests (e.g., shutdowns, service disruptions, wet year operations, dry year operations) would not be included in an agency's peaking calculations. Such circumstances do not reflect a member agency's demands; rather, they reflect a Metropolitan operational need that changes the peaking activity of the member agency.
- All data and adjustments would be fully documented and validated by each agency, following the existing process for RTS and Capacity Charges

Items to be further reviewed before the FY2028/29 budget process

- Potential Regional Drought Reliability Charge (i.e., a portion of treated standby capacity that is used for the benefit of both treated and untreated users)
- Incremental Peaking (i.e. 3-year max daily minus 3-year average daily flows)

Background

On April 9, 2024, the MWD Board adopted the Fiscal Year (FY) 2024/25 and FY 2025/26 Biennial Budget that directed staff to work with MAs to evaluate and analyze the Treatment Surcharge. Specifically, the Board directed staff to address issues identified through the analysis, including potential modifications to the calculation methodology. The Board further emphasized that a final methodology should be prioritized as part of the broader new business model discussion and recommended for adoption as soon as possible, but no later than the approval of the new business model.

Summary of Work Completed To-Date

Member Agencies participated in 11 workshops, starting in May 2024, to discuss the Treated Water Cost Recovery. Detailed discussions were held on a variety of topics, including:

- Key concerns/issues raised by MA's during Budget adoption with the Treatment Surcharge
- Goals and objectives of the Treated Water Cost Recovery Workgroup, including the Policy Principles on Treated Water previously adopted by the Board and past efforts to develop alternative approaches to Treated Water Cost Recovery
- MWD's current treatment operations, plant capacity, utilization (including distribution of historical data by member agency), cost, and cost of service, which included support from MWD's external rate consultant as needed
- Identified that a portion of the treated system provides a regional drought reliability benefit, which included the development of a white paper "Regional Drought Reliability Benefits Due to Flexibility of the Integrated Treated Water System" dated January 17, 2025 . The member agencies believe more analysis is necessary to determine the extent of the use of the treatment system for regional drought reliability.
- MWD and MA's developed and evaluated treated water cost recovery alternatives for Peaking and Standby Use:
  - Six (6) Treatment Peaking Alternatives
  - Nine (9) Treatment Standby Alternatives
  - Four (4) separate proposals introduced by Member Agencies in January 2025, February 2025, March 2025 and March 14, 2025

Guiding Framework for Rate Design Solutions

Aligned with the 2017 Adopted Policy Principles and feedback, the sub-working group discussed a guiding framework for rate design solutions to evaluate alternatives, support comparisons, and facilitate discussion and selection processes. Treatment rates and charges should:

1. Be consistent with industry standard cost of service principles
   - Provide a nexus between member agency cost responsibility and benefits received
   - "Rate charged should reflect the cost of having capacity reserved and available for the customer" (AWWA M1 Principles of Water Rates, Fees, and Charges, 7th Edition)
2. Align treatment rates with treatment services received
   - Align the treated water cost recovery with (1) the service commitments and (2) infrastructure capital investments made by MWD
   - Reflect the cost to maintain the treatment capacity and the treatment benefits received for average, peaking and standby uses
   - Evaluate the portion of standby capacity that provides regional drought reliability

3. Enhance rate stability and predictability
   - Recover a portion of the treatment costs on fixed charge(s)
   - Work closely with Member Agencies to continue to identify opportunities to partially or fully decommission unneeded treatment infrastructure and minimize future O&M and capital expenditures
   - Continue to obtain member agency commitment to utilize new or expanded future capacity

Alternatives Considered

The sub-working group developed and evaluated multiple treated water cost recovery alternatives for peaking and standby use. While the regional drought reliability benefit was analyzed, additional discussions are needed and it is recommended that these discussions would be continued for future incorporation into MWD's rate structure. Hypothetical impact analyses were conducted for all of the alternatives. Staff prepared a sensitivity analysis showing the year-over-year change to MA fixed charges under the various alternatives. Raftelis Financial Consultants, MWD's independent rate consultant, reviewed the proposed alternatives and stated that, while not perfect, they have reasonable nexus for cost-of-service standards.

Treatment Peaking Cost Recovery Alternatives Analyzed

	Billing Determinants	Units	Details	Descriptions
Alt 1	3-yr trailing maximum ***summer*** peak day demand	CFS	3-yr trailing max day **May-Sep**	Proposed in 2017 Treatment Capacity Charge (similar to the current Capacity Charge), represents member agencies' summer peak use.
Alt 2	3-yr trailing maximum ***annual*** peak day demand	CFS	3-yr trailing max day **Jan-Dec**	Represents member agencies' peak use throughout the year
Alt 3	3-yr trailing **annual incremental** peak demand	CFS	3-yr trailing max day Jan-Dec minus 3-yr avg day	Represents member agencies' ***incremental*** peak use throughout the year
Alt 4	3-yr trailing **summer incremental** peak demand	CFS	3-yr trailing max day May-Sep minus 3-yr avg day	Represents member agencies' ***incremental*** peak use during summer and supports local supply development
Alt 5	3-yr trailing **annual incremental seasonally adjusted** peak demand	CFS	3-yr trailing seasonal adjusted max day minus 3-yr avg day	Represents member agencies' ***incremental*** peak use with seasonal factors to reduce summer peak impact on MWD distribution system
Alt 6	3-yr trailing **average incremental** peak demand	CFS	3-yr **average** trailing of max day Jan-Dec minus avg day	Represents member agencies' **average** ***incremental*** peak use over the 3-year period
Feb 2025 MA Proposal - Peaking	3-yr trailing maximum ***annual*** peak day demand	CFS	3-yr trailing max day **Jan-Dec**	Recovers treatment peaking costs, capped at 10% of treatment costs, billing determinants same as Alt 2
Mar 2025 MA Proposal	3-yr trailing maximum ***annual*** peak day demand	CFS	3-yr trailing max day **Jan-Dec**	Same as Alt 2
Mar 14 2025 MA Proposal - Peaking	3-yr trailing maximum ***annual*** peak day demand	CFS	3-yr trailing max day **Jan-Dec**	Same as Alt 2

Treatment Standby Cost Recovery Alternatives Analyzed

	Billing Determinants	Units	Details	Descriptions
Alt A	Max of TYRA or 1998-2007 Avg	AF	(TYRA= 10-yr rolling avg)	1998-2007 Represents the basis when MWD made major investments in treatment plants
Alt B	10-yr Trailing Max Year	AF	Max annual usage in the past 10 years	Represents MA's standby use in the past 10-yrs beyond seasonal peak
Alt C	10-yr Trailing Annual Standby Use	AF	10-yr max annual usage minus 10-yr average use	Represents MA's standby use in the past 10-yrs beyond seasonal peak and average use
Alt D	Treatment Connected Capacity	CFS	Sum of Member Agency treated connections	Potential Member Agency capacity to MWD's treatment system
Alt E	Treatment Capacity Reservation	CFS		Capacity requested by each Member Agency
Alt F	Treatment Connected Capacity available for Standby	CFS	Treatment connected capacity minus 3-yr trailing max day (Alt 2)	Potential Member Agency capacity to MWD's treatment system not used in the last 3-yrs but available for emergency use (standby)
Alt G	10-yr Trailing Standby Use	CFS	10-yr max day minus 3-yrs trailing max day (Alt 2)	Represents the standby use as incremental use above peak day flows in the past 10-yrs
Alt H	10-yr Trailing Max Day Flow	CFS	10-yr max day	Represents MA's max use in the past 10 years
Alt I	5-yr Average Annual Demand	AF	5-year rolling average of annual treated demand	Recovers all treatment standby costs, inclusive of Regional Drought Benefits, on fixed charge and offers member agencies greater rate stability and predictability
Jan 2025 MA Proposal	5-yr Average Annual Demand	AF	25% Fixed Charge on 5-yr average annual treated demand	Recovers 25% of Treatment Costs based on 5-year rolling average treated demand. Provides MWD with additional fixed cost recovery and offers member agencies greater rate stability & predictability.
Feb 2025 MA Proposal - Standby	10-yr Trailing Annual Standby Use	AF	10-yr max annual usage minus 10-yr average use	Recovers all treatment standby costs, capped at 20% of Treatment Costs
Mar 2025 MA Proposal	Treatment Fixed Charge	AF	Remaining 30% Treatment Fixed Charge based on a 5-yr average annual treated demand	This charge inclusive of the Peaking Charge adds up to 30% of the Treatment Revenue Requirements.
Mar 14 2025 MA Proposal - Standby	Used Treatment Standby Charge	AF	10-yr max annual usage minus 10-yr average use	Recovers used treatment standby costs based on 10-yr annual standby use (Alt C)
	Remaining Treatment Standby Charge	AF	5-yr Trailing Max Annual Demand	Recovers remaining treatment standby costs, up to 30% of treatment costs inclusive of peaking and used standby charges, based on 5-yr max annual demand

Summary of Proposals

There is broad recognition that action is necessary, as the current status quo (i.e. 100% volumetric) is not consistent with the Board's previously adopted Policy Principles on Treated Water. The Sub-Working Group remains committed to fostering collaboration and identifying common ground. Moving forward, it will be essential to acknowledge and address the concerns raised to try to build broader alignment and ensure a smooth implementation.

On March 17, 2025, the majority of Member Agencies collaborated to approve a revised proposal that was initially presented on March 14, 2025. While the proposal received broad support, its support is contingent upon adopting language **to adjust peaking flows** for purposes of determining the Peaking Charge by agency when the agency undertakes extraordinary operational activities that benefit MWD's system.

- Subsequently, MWD staff, including legal counsel, collaborated with MA' on the language for the proposed Adjustments to Peaking Flows. However, they were unable to identify an adjustment that would both meet cost of service requirements and comply with Proposition 26 (pursuant to a recent trial court ruling that its requirements apply to Metropolitan's wholesale rates and charges, which is currently on appeal).

The February 2025 MA Proposal is an alternative to the March 14, 2025 MA Proposal. Both of these alternatives received significant support from Member Agencies, but not broad consensus. Additional discussion and collaboration will be necessary to determine the most appropriate path forward and to build broader consensus among the MAs.

Path Forward

Staff recommends continuing discussions with Member Agencies through additional meetings in May with the goal of reaching broad consensus on a proposal to be forwarded for consideration. The Sub-Working Group remains committed to constructive dialogue and consensus-building. Addressing outstanding concerns will be critical to securing broader alignment and ensuring the successful implementation of the final proposal.

FINANCIAL POLICIES BUSINESS MODEL SUPPORT SUB-WORKING GROUP

Unrestricted Reserve Policy Recommendations

Recommendations

To enhance financial stability and better address evolving risks, including climate change, the sub-working group recommends the following technical refinements to the reserve policy:

Link reserve percentage to water demand exceedance levels: Adjust reserve percentage based on budgeted exceedance level, with the following assumptions:

- 80% exceedance = 15% reserve percentage
- 70% exceedance = 19% reserve percentage
- 50% exceedance = 25% reserve percentage
- The sub-working group recommends that Metropolitan establish a policy to set water demand at 70% exceedance for rate setting with a long-term target of 80%, without relying on one-time revenues or reserve draws.

Recognize the disconnect between supplies and sales and exclude variable costs from reserve calculations.

Incorporate protection for treated water sales volatility: Treatment revenue requirements will be incorporated into the Unrestricted Reserves Minimum and Target levels to provide enhanced protection against treated sales volatility. The Treatment Surcharge Stabilization Fund will be consolidated into Unrestricted Reserves to streamline fund management and increase flexibility.

Exclude uncertain revenues: Unpredictable revenue sources, such as unawarded grants and one-time revenues, should be excluded from reserve calculations to protect against revenue shortfall risks.

The sub-working group also recommends modifying language in the MWD Administrative Code for the Reserve Policy:

- Reserves, by nature, are one-time funds; fiscal prudence dictates that they should not be used to cover ongoing expenditures.
- Funds in excess of the target level shall be utilized as directed by the Board for:
  - Funding capital expenditures to avoid additional debt issuance;
  - Redemption or defeasance of outstanding bonds or commercial paper;
  - Addressing pension and OPEB liabilities, including the potential creation of a pension/retiree healthcare trust fund; and/or
  - Meeting other legal or financial obligations as necessary.

Background

Current Unrestricted Reserve Policy

The current unrestricted reserve policy, originally adopted with the 1999 Long Range Finance Plan, is governed by MWD Administrative Code § 5202. It is designed to cover revenue shortfall resulting from declines in water transactions, ensuring a minimum of 18 months and up to 42 months of rate protection at the target level. The policy has been generally effective, as Metropolitan has not required emergency rate increases outside of its regular rate-setting process. Unrestricted reserves exceeding the target level may be used for any lawful purpose as determined by the Board. Although the policy aims to provide 3.5 years of rate protection at the target level, it currently lacks a clear policy mechanism to ensure reserves reach and maintain that target level.

The existing reserve calculation is based on hydrologic risk estimates from the 1999 Long Range Finance Plan. However, climate change, which has exacerbated the volatility of both demand and supply, and the associated risks over the years have highlighted the need for refinements. The minimum reserve level is set to cover 18 months of reserves, comprising the next fiscal year's reserve amount plus half of the subsequent fiscal year's reserve. The target reserve level extends this calculation by an additional two years, totaling 42 months (3.5 years) of reserve coverage.

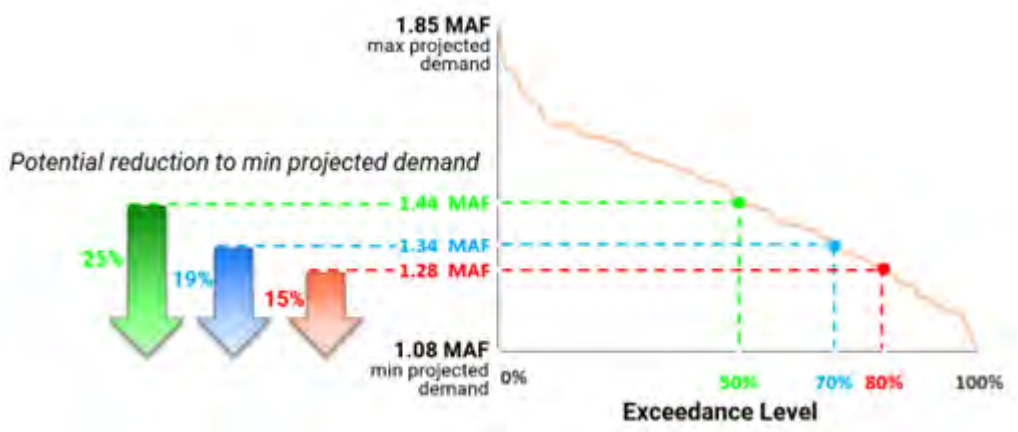
The current policy assumes that variable supply and power costs decrease when water demand is low, but this is not always the case. During wet years with low demand, power costs may actually increase due to the need to move and store excess water. Additionally, the policy does not account for revenue shortfalls from the Treatment Surcharge during periods of low treated water sales. The Treatment Surcharge Stabilization Fund, which currently has no funds, also lacks defined minimum and target levels, limiting its effectiveness in providing rate protection.

The reserve policy's minimum and target levels are based on the revenue risk associated with lower water sales. Reserves, however, have been used to address all unforeseen cash shortages including shortfalls in treated system revenues and to add water to storage during years of surplus. In addition, the policy will lose its effectiveness if rates are not adopted to fully cover costs, such as setting rates based on planned draws from reserves or setting rates based on one-time revenues.

Alternatives Considered

Metropolitan reviewed the calculations for determining the portion of the net revenue requirement that is collected by volumetric water rates. Certain line items that were deducted from the net revenue requirement were no longer appropriate due to climate-related volatility, the uncertain nature of the assumed revenues, and the disconnect between supplies and sales. The reserve percentage was also analyzed in light of recent water transactions and potential demand variability. Historical data indicated that actual water transactions were consistently lower than budgeted projections for eight of the past nine years. By correlating this trend with a revised reserve percentage, the sub-working group recommended aligning the reserve percentage with the budgeted exceedance level—the higher the exceedance level, the lower the volatility or risk, allowing for a lower reserve percentage in the calculation as shown in Figure 1 below.

Figure 1: Projected Demand Variability for Calendar Year 2025



To enhance financial stability and better address evolving risks, the sub-working group recommends the following technical refinements to the reserve policy:

- **Link reserve percentage to water demand exceedance level:** Adjust reserve percentage based on budgeted exceedance level, with the following assumptions:
  - 80% exceedance = 15% reserve percentage
  - **70% exceedance = 19% reserve percentage**
  - 50% exceedance = 25% reserve percentage
  - The sub-working group recommends that Metropolitan establish a policy to set water demand at 70% exceedance for rate setting with a long-term target of 80%, without relying on one-time revenues or reserve draws.
- **Recognize the disconnect between supplies and sales and exclude variable costs from reserve calculations.**
- **Incorporate protection for treated water sales volatility:** Treatment revenue requirements will be incorporated into the Unrestricted Reserves Minimum and Target levels to provide enhanced protection against treated sales volatility. The Treatment Surcharge Stabilization Fund will be consolidated into Unrestricted Reserves to streamline fund management and increase flexibility.
- **Exclude uncertain revenues**: Revenue sources that are unpredictable, such as unawarded grants and one-time revenues, should be excluded from reserve calculations to protect against revenue shortfall risks.

Gradually implementing a higher exceedance level (i.e., 80%) in rate-setting would help reduce risk associated with sales variability, increasing the likelihood that Metropolitan meets its budgeted water transaction projections. This approach creates a mechanism to maintain reserves at the target level, providing additional protection against rate spikes and emergency rate adjustments.

FINANCIAL POLICIES BUSINESS MODEL SUPPORT SUB-WORKING GROUP

Conservative Water Transactions in Rate Settings Recommendation

Recommendation

Metropolitan shall establish a policy to set water demand at 70% exceedance for rate setting with a long-term target of 80%. This approach creates a mechanism to maintain reserves at the target level, providing additional protection against rate spikes.

Background

Over the last 25 years, Metropolitan's water sales have shown significant volatility, with actual transactions often falling short of budgeted projections (Figure 1). Since 2015, the most substantial shortfalls occurred in 2019 (-13%), 2020 (-25%), 2023 (-13%), and 2024 (-24%), reflecting growing unpredictability in water demand. This persistent trend of lower-than-expected sales underscores financial risks, exacerbating revenue shortfalls and placing greater strain on unrestricted reserves.

Figure 1: Variability of Metropolitan's Historic Water Transactions from Budget



Alternatives Considered

Historically, Metropolitan's biennial budget, along with its rates and charges, has been based on average demand (aligned with a 50% exceedance level), which has generally provided financial stability. However, over the past decade, climate change and other factors have increased uncertainty in sales projections, resulting in revenue shortfalls when actual water transactions fall below budgeted levels. Since the exceedance level relies on historical hydrology, adopting a more conservative demand projection would help mitigate financial risk by reducing the likelihood of overestimating sales, thereby safeguarding revenue and reserves.

In line with the Metropolitan Board's direction, the current budget and 10-year financial forecast are based on 70% exceedance demand projections. Given ongoing uncertainty and declining water transactions, gradually increasing the exceedance level to 80% over time would strengthen financial stability by reducing the risk of overestimating sales. This approach would help maintain reserves and create a structured mechanism to achieve target reserve levels. Raising the exceedance level to 80% would lower projected water demand by approximately 57,000 AF.

Gradually implementing a higher exceedance level (e.g., 80%) in rate setting would help mitigate sales volatility, increasing the likelihood that Metropolitan will meet its sales projections. This approach would also provide a mechanism to maintain reserves at the target level, providing additional protection against potential rate spikes.

Consensus Proposal

Metropolitan shall establish a policy to use a minimum of 70% exceedance level for rate setting during biennial budget development with a long-term target of 80% exceedance level, ensuring financial stability without relying on one-time revenues or reserve draws. Gradually reaching the target of 80% exceedance will mitigate sales volatility, and create a mechanism for building and maintaining reserves at the target levels, providing additional protection against rate spikes while minimizing the potential initial impacts. This proposal aligns with recommendations on the unrestricted reserve policy and other fixed revenue strategies.



FINANCIAL POLICIES BUSINESS MODEL SUPPORT SUB-WORKING GROUP

Other Fixed Revenues Recommendations

Recommendations

The sub-working group recommends that Metropolitan consider adopting and implementing the proposed fixed treatment charges as outlined in the Treated Water Cost Recovery Recommendations while continuing to evaluate additional fixed revenues.

Potential fixed revenues alternatives that require additional discussion include:

- **Voluntary Level Pay Plan**
  - Member agencies interested in a Voluntary Level Pay Plan will make recommendations to Metropolitan staff. Staff will convene a meeting with the interested member agencies to explore the alternatives, analyze the impacts, and identify the changes to Metropolitan's policies that would be required for implementation.
- **Fixed charge for Demand Management (i.e., conservation, Local Resource Program)**
  - Staff will evaluate fixed charges based upon the recommendations made by the water resources sub-working group
- **Expansion of current Readiness-to-Serve (RTS) and Capacity Charge (CC) to recover O&M costs**
- **Ad Valorem Property taxe**s
  - Staff will evaluate the impacts of increasing the ad valorem property tax rate in future budgets and the impact to rates and charges and reserves

These efforts aim to enhance financial stability and ensure a more predictable and equitable cost recovery structure.

WATER RESOURCES BUSINESS MODEL SUPPORT SUB-WORKING GROUP

Support for Sales Outside of the Service Area Recommendation

Recommendation

Metropolitan should support water sales outside of the service area by (1) directing staff to develop a framework that incorporates the considerations identified by the Working Group, and (2) including the framework in the refined business model.

Background

The Working Group was asked the following Business Model questions:

1. Should Metropolitan sell water outside the service area? Under what conditions?
2. Are policy changes needed for outside water sales?

Considerations

The Working Group identified the following key considerations that should be examined when developing a Framework to support water sales outside the service area.

1. **Existing policy supports outside water sales** – The Metropolitan Water District Act and Administrative Code allow for the sale of surplus water outside of the service area. The 2021 Water Management Amendment to the SWP contract allows for non-permanent sale of SWP supply between SWP contractors at prices negotiated between buyers and sellers.
2. **The existing Water Surplus and Drought Management planning process should identify conditions under which surplus supplies would be sold** – The WSDM planning process is an adaptive tool that staff uses to identify storage and non-storage actions that Metropolitan can pursue within the year to manage both drought and surplus conditions. Although the priorities of various water management actions may change from year to year depending on initial storage balances, the WSDM plan provides a solid foundation for identifying surplus conditions and potential actions. Key considerations for determining conditions under which surplus supplies would be sold outside the service area include (1) first meeting all member agency demands and (2) ensuring sufficient storage and future dry-year reliability for agencies within the SWP-dependent area.
3. **Metropolitan should continue to invest in new storage and exchange opportunities for managing surplus supplies for the benefit of the region** – The sale of water outside of the service area can generate new revenue and thus there may be a temporary regional financial benefit to Metropolitan's member agencies. Metropolitan must continue to develop new storage and exchange programs to manage surplus water for the region's benefit and forecasted future needs, especially for agencies within the SWP-dependent areas. The development of new storage and exchange programs can help improve dry-year reliability by converting surplus supplies to future dry-year supplies.
4. **Water sales should recover at minimum Metropolitan's overall water supply costs** – Sale of water outside of the service area should recover at minimum the overall cost of supply, cost of service, and any future costs/obligations to Metropolitan.

5. **Metropolitan should not include anticipated revenues from the sale of water outside of the service area to unidentified parties, or from unidentified transactions, in its budget, revenue requirements, or rate-setting processes** – The Finance group should revise Metropolitan's reserve policy to address potential revenues from water sales outside of the service area. Anticipated revenues from signed longer-term agreements should be considered for appropriate inclusion into the budget, revenue requirements, or rate-setting processes by the Finance group.

Assessment of Potential Consequences

The Working Group identified potential consequences associated with sales outside the service area and staff developed the assessment of such consequences.

Financial Sustainability

Member agencies should be given first right of refusal to purchase surplus supplies – Member agencies always have the right to purchase supplies at the full-service rate. All demands will be met prior to selling water outside the service area. Member Agencies have the option of purchasing water available for sale to outside agencies. The cost of the supply would include the supply rate, system access and power rate, and treatment surcharge rate (if applicable).

Operational Flexibility

Operational constraints when selling water – The sale of water is envisioned to be outside the service area and should not result in any operational impacts within the service area. A decision to sell water outside of the service area in a given year would be based on the best available information at the time.

WSAP Implementation

Considered, but none were identified.

Regional Reliability

Changes to demands impacting storage targets – Potential impacts on storage balances related to changes in Metropolitan demands or supplies subsequent to the sale of water in a given year. A decision to sell water outside of the service area in a given year would be based on the best available information at the time following the framework of the Water Surplus and Drought Management Plan.

Other

Unforeseen unintended consequences – The framework should allow for the ability to make future refinements to the policy.

WATER RESOURCES BUSINESS MODEL SUPPORT SUB-WORKING GROUP

Support For Local Supply Exchange Recommendation

Recommendation

Metropolitan should support local supply exchanges between member agencies by (1) directing staff to develop a framework that incorporates the considerations identified by the Working Group, and (2) making policy and Administrative Code changes needed to support the local supply exchanges.

Background

The Working Group was asked the following Business Model questions:

1. Should Metropolitan accommodate local supply exchanges within the service area?
2. How should Metropolitan support the exchanges?

Considerations

The Working Group acknowledges that local supply exchanges can optimize existing resources and offer a cost-effective option to meet demands. The Working Group identified key considerations that should be examined when developing the Local Supply Exchanges Framework.

1. **Policy changes needed to support indirect local supply exchanges** – Metropolitan can deliver local supplies from one member agency to another by exchange or wheeling. State policy is already in place for wheeling; therefore, no policy changes are needed. However, a policy change is needed to support indirect exchanges. Metropolitan's administrative code sections 4205 and 4501 need to be modified to allow changing the delivery location and billing for supplies purchased by a member agency.
2. **Seller must consume the local supply being exchanged** – The local supply produced and consumed by the participating agency needs to be documented to ensure the exchange is balanced. Consumption of local supplies ensures that the local supply being exchanged is being beneficially used within the region and prevents an increase in demand on Metropolitan. For exchanges of pre-existing local supply, the exchange must not result in an increase in demand on Metropolitan.
3. **Metropolitan should only deliver to participating agencies when Metropolitan supplies are available** – Deliveries should not impact the reliability of agencies within the State Water Project Dependent Area (SWPDA) or any part of Metropolitan's service area. Exchanges should occur in the same time period that the additional local supplies are consumed and not create a Metropolitan obligation, at the time of the production or in the future. Stored Metropolitan supplies should not be used to support the exchanges, and the availability of Metropolitan supplies should not be taken from one agency to be provided to another.
4. **Exchanges should not result in an additional cost to the region** – Agencies should not be provided incentives by Metropolitan to develop exchanges. Metropolitan must recover all costs for facilitating the exchange.
5. **Available capacity in the system** – Deliveries of exchange water should not be guaranteed and only be made when operationally feasible for Metropolitan. Deliveries to agencies within the SWPDA should not be impacted.

Assessment of Potential Consequences

There is general agreement from the Working Group to support local supply exchanges, provided that there are no additional costs to the region and no supply reliability impacts to the region or to agencies within the SWPDA. The Working Group identified potential consequences associated with facilitating local supply exchanges and staff developed the assessment of such consequences.

Financial Sustainability

Exchanges may lower demands and impact future Metropolitan sales – Although exchanges may lower demands for Metropolitan water, facilitation of regional local supply exchanges will increase total production in the service area. Increased local supply production can help reduce stress on imported water supplies, reduce future risks of supply allocation, and alleviate the need to purchase and/or produce more expensive supplies. Thus, the region will benefit from increased water supply reliability in a manner consistent with other local supply production.

Operational Flexibility

Additional demands on Metropolitan's regional water supply – To facilitate the exchanges, Metropolitan would be delivering regional supplies to the purchasing agency. Metropolitan would only facilitate exchanges when operationally feasible and supplies are available. Exchanges do not create an obligation since deliveries will not be made if supplies are not available.

Potential impacts to blends as a result of the exchange – Deliveries to support exchanges will not result in additional deliveries of Metropolitan supplies. Metropolitan should maintain the blending goals of the Colorado River and the State Water Project supplies. There should not be a negative impact on the blending of water as a result of the exchange.

WSAP Implementation

Counteracting purpose of WSAP – Not appropriately allocating supplies to the exchanging agencies could result in deeper cuts to non-participating agencies during an allocation. WSAP policies and procedures would apply, and access to Metropolitan water would not be taken from one agency and provided to another. The selling agency is exchanging the local supply benefit with the buying agency. The local supply may be considered an extraordinary supply if it complies with all WSAP policies. The water delivered would be documented and accounted for to the appropriate agency.

Regional Reliability

Exchanges may create future obligations for Metropolitan – Exchanges would be reasonably concurrent with local supply consumption and would not create a Metropolitan obligation at the time of the exchange or in the future. In addition, Metropolitan stored supplies would not be obligated to support exchanges.

Exchanges will facilitate access to all agencies to purchase local supplies – Metropolitan would not be involved in the negotiations between agencies, thus empowering each agency to develop partnerships with each other. Costs and quantities of water will be agreed upon between the agencies. Metropolitan will enter into a separate agreement with agencies for the coordination of delivery and accounting of local supplies.

Other

Unforeseen unintended consequences – The framework should allow for the ability to make future refinements to the policy.

WATER RESOURCES BUSINESS MODEL SUPPORT SUB-WORKING GROUP

Support the Development of Local Supplies and Conservation Recommendation

Recommendation

Metropolitan should continue to support the development of local supplies through the Local Resources Program (LRP) and continue to support Conservation by (1) directing the Finance group to continue to develop an alternative method to fund these programs, and (2) establishing a new working group to evaluate program design and develop structural refinements.

Background

The Working Group was asked the following Business Model questions:

1. Are policy changes related to conservation and LRP needed as part of the Business Model process?
2. Should Metropolitan change the way that it supports the development of local supplies and conservation?

The 2015 IRP Policy Principles were adopted by the board to guide Metropolitan's regional participation in maintaining and developing local supplies and conservation. The Working Group did not identify any needed changes to existing policies since they allow for a range of participation and investment by Metropolitan.

Considerations

The Working Group acknowledges investments made through conservation and LRP for demand offset are cost-effective in comparison to other alternatives. Thus, the Working Group is supportive of Metropolitan continuing to support the development of local supplies and conservation programs through incentives with the following considerations:

1. **A new revenue mechanism should be explored to fund regional Conservation and LRP investments** – Incentives provided under these programs are considered to be a good investment. Consideration is being given to collecting revenues in a manner that would support the continued disbursement of incentives through the programs. The current rate structure is primarily a volumetric rate structure which exposes Metropolitan to more financial instability. Developing a method for collecting revenues to fund these programs that is not based on water sales will assist with financial sustainability.
2. **Conservation and LRP are important programs that play a significant role in managing demands –** These programs should be continued to help develop and conserve supplies during varying hydrologic conditions and are significantly more important in dry years. As the region faces potential future water supply challenges on the Colorado River and State Water Project, these programs help manage demands, reduce stress on imported supplies, and reallocate available supplies to the region. Furthermore, as climate change impacts increase and water conservation mandates become more stringent, demand management programs will be paramount to maintain regional reliability.
3. **Conservation and LRP programs should be evaluated to determine if the incentive amounts are appropriate and if the program structures meet regional needs** – For the LRP, the program structure should be evaluated, and areas that can be refined to make the programs more flexible should be identified. Local supplies may have higher regional benefits if they are developed in certain areas and consideration should be given to incentivizing projects that provide a greater regional benefit through higher incentives or an alternative funding structure.

Assessment of Potential Consequences

The LRP and Conservation Programs are important to many member agencies. The Working Group broadly agrees that these programs, specifically the LRP, should be modified but not terminated. The Working Group identified potential consequences, and staff developed an assessment of such consequences.

Financial Sustainability

Development of local supplies and conservation may lower demands on Metropolitan – Although conservation budgets can be modified, LRP funding commitments are for the duration of the LRP agreements which is up to 25 years. With new conservation and local supplies, sales are anticipated to decrease. A reduction in demands could reduce revenues for Metropolitan under the current rate structure, which is primarily a volumetric rate structure. Water that is conserved and new local supplies that are developed help reduce risks of supply shortages by allowing the offset supply to be stored for use in a dry year. Previously stored supplies are recovered from storage during a dry year and are sold at the full-service rate, which would support Metropolitan's financial sustainability and minimize supply shortage risks.

Operational Flexibility

Considered, but none were identified.

WSAP Implementation

Considered, but none were identified.

Regional Reliability

Program structure and incentive amount may not encourage the development of programs and projects – The current program structures work well but should be evaluated to identify areas that can be enhanced to increase participation.

Local supply projects are not being developed in needed areas – The current program criteria do not consider the location of the project in determining eligibility for participation in the program. Development of projects in certain locations could have additional benefits that are not considered. A program structure that encourages the development of local supply projects in specific areas or with additional benefits may help increase reliability. Smaller agencies do not typically have the capacity to develop programs and thus are not able to take advantage of the LRP funding as there is a large cost to plan and project including applying for grants and other funding. Smaller agencies do not have the personnel or funding capacity to promote conservation. The current programs do not address the issue of how to assist these agencies.

There is a finite amount of storage – Depending on hydrologic conditions and demands, conserved supplies may be stored and reduce available storage capacity. Although Metropolitan currently has available capacity to store in Banking Programs, the recovery capacity limits how much can recovered each year. Adding more water into storage will take longer to recover.

Other

Unforeseen unintended consequences – The framework should allow for the ability to make future refinements to the policy.

Feasibility of Extending Sepulveda Feeder Pumping Operation to LA-25

Recommendation

Staff recommends conducting a surge analysis to identify any additional protection of the existing infrastructure that might be required for the Sepulveda Feeder Pump Station project Stage 2 and continuing collaboration with the three Westside agencies to minimize operational impacts. The preferred option will be combined with the Stage 2 pump station expansion project for evaluation under the Climate Adaptation Master Plan for Water (CAMP4Water) process along with other potential system flexibility projects.

Background

The Working Group was asked the following Business Model questions:

Is it feasible to deliver water to Service Connection LA-25 using the planned Sepulveda Feeder Pump Stations?

Objective

Evaluate actions that increase system flexibility when developing stage 2 of the Sepulveda Feeder Pump Stations.

Developed Alternatives

The planned Sepulveda Feeder Pump Stations (SFPS) project includes the Venice Pump Station and the Sepulveda Canyon Pump Station (SCPS). The original concept was to deliver pumped flow from the Common Pool Area of Metropolitan's distribution system through Sepulveda Feeder to supply service connections along West Valley Feeder (WVF) No. 2. This would offset State Water Project (SWP) demand from the Jensen Plant, which could be used to supply the northern reach of the Los Angeles Department of Water and Power's (LADWP) distribution system. LADWP requested that Metropolitan examine the potential for the SFPS to pump all the way up to LA-25. This type of operation would address concerns that, under an extreme and prolonged SWP supply shortage, the supply from the Jensen Plant may not be adequate to meet its demand. Staff developed two options to extend the pumping operation of the SFPS project to allow pumping from the SCPS to LA-25 under the project's Stage 2 configurations - up to 160 cfs capacity. Both options require a bypass line to allow simultaneous operations of Greg Avenue Pump Station (GAPS) and SCPS and a pressure control structure (PCS) to regulate the pressure of the pumped flow. Both options may provide less flexibility for Jensen plant operations. The primary scope of each option is listed below:

Option 1: A bypass line (300 feet) connecting the East Valley Feeder (EVF) to the WVF No. 1

A PCS on the WVF No. 2

Option 2: A bypass line (3,200 feet) connecting the EVF to the WVF No. 2

A PCS on the WVF No. 2

Pros and Cons

	Pros	Cons
Option 1	• Provides operational flexibility during droughts • Lower cost (approximately $30M)	• Amendment of WVF No. 1 lease agreement with LADWP • Changes current operation to supply from WVF No. 1 vs. WVF No. 2
Option 2	• Provides operational flexibility during droughts • Minimum changes to current operation along WVFs	• Higher cost (approximately $60M) • Construction challenges (longer pipe in urban area and crossing of a major freeway)

Staff also evaluated the feasibility of delivering the 30 cfs flow planned for the Stage 1 installation to LA-25. Although the procured pumps are capable of delivering 30 cfs to LA-25, the SFPS and GAPS could not operate at the same time without the installation of a new bypass line.

System Flexibility Improvement Considerations for Foothill Municipal Water District

Recommendation

Staff recommends continuing to develop the East West Conveyance alternatives, Options 2, 3, and 7, described below. The East-West Conveyance alternatives could improve Metropolitan's overall system flexibility and improve reliability for Foothill MWD and other Metropolitan member agencies.

Background

The Working Group was asked the following Business Model question:

What infrastructure could be developed to improve the system flexibility for the Foothill Municipal Water District (Foothill MWD) to enhance reliability?

Objective

Evaluate actions to increase Foothill Municipal Water District's system flexibility.

Alternatives Considered

Metropolitan staff evaluated eight alternatives to improve system flexibility for the Foothill MWD.

Treated Water Options:

- **Option 1: New Service Connection on Upper Feeder** – A new service connection located adjacent to the Foothill MWD service area delivering supplies from the F.E. Weymouth Water Treatment Plant (WTP).
- **Option 2: East-West Treated Water Conveyance** – A new pipeline and new pump stations able to deliver water directly from Weymouth WTP to the Jensen WTP service area.
- **Option 3: Kinneloa Mesa to Jensen Water Treatment Plant Conveyance** – A new pipeline and new pump stations able to deliver water from the Upper Feeder to the Jensen WTP service area.
- **Option 4: Upper Feeder/Santa Monica Feeder to Foothill MWD Service Area** – A new pipeline and pump station(s) to deliver water from the Upper Feeder to the Foothill MWD service area.
- **Option 5: Upper Feeder Loop-Kinneloa Mesa to Eagle Rock Control Tower** – A new pipeline and pump stations creating a looped system through Foothill MWD's service area off the Upper Feeder.
- **Option 6: Upper Feeder Loop-Kinneloa Mesa to Verdugo Wash Loop** – A new pipeline and pump stations creating a looped system through Foothill MWD's service area off the Upper Feeder.

Raw Water Options

- **Option 7: Glendora Tunnel to San Fernando Tunnel East-West Conveyance** – A new pipeline and pump stations able to deliver water from the Colorado River, Diamond Valley Lake, and the proposed Pure Water Southern California (PWSC) backbone pipeline for groundwater recharge.
- **Option 8: Pure Water Southern California to Devil's Gate Dam** – A new pipeline and pump station to deliver water from PWSC to Devil's Gate Dam for groundwater recharge.

Timeline of Upcoming Activities

Recommendation

Staff will advance the following activities in support of its long-term planning efforts and goal of providing adequate and reliable supplies:

- Equitable Supply Reliability – Issue Identification
- Equitable Supply Reliability – Actions Development
- System Flexibility Study
- System Reliability Study - Operational System Overview Study
- Evaluation of Regional Storage Portfolio
- Strategic Infrastructure Resilience Plan – Implementation Strategies

Background

The Working Group was asked the following Business Model question:

Can staff provide a timeline of upcoming activities related to infrastructure improvements?

Objective:

To provide an outline of upcoming actions to evaluate overall system reliability, flexibility, and resilience.

Considerations:

The Engineering Sub-Working Group identified the following activities planned over the next three years that identify potential projects, programs, and activities that impact equitable supply reliability to member agencies.

Equitable Supply Reliability Identification – Identify areas within the Metropolitan System that may be disproportionately affected under certain supply constraints and revisit applicanble policies.

Equitable Supply Reliability Mitigation Projects – Identify, study, and implement supply reliability projects and drought mitigation actions for the SWPDAs.

System Reliability Study/System Flexibility Study – Assess the member agency's ability to withstand a 7-day Metropolitan outage and an extended Metropolitan outage from a seismic event.

System Reliability Study/Operational System Overview Study – Evaluation of existing Metropolitan system to identify operational challenges and capacity constraints. Areas of consideration include infrastructure capacity constraints and water quality issues.

Regional Storage Portfolio – Evaluation of the existing regional storage portfolio, including emergency storage recommendations and spatial analysis.

Strategic Infrastructure Resilience Plan / Plan Implementation – Evaluation of Metropolitan's current resilience planning efforts to:

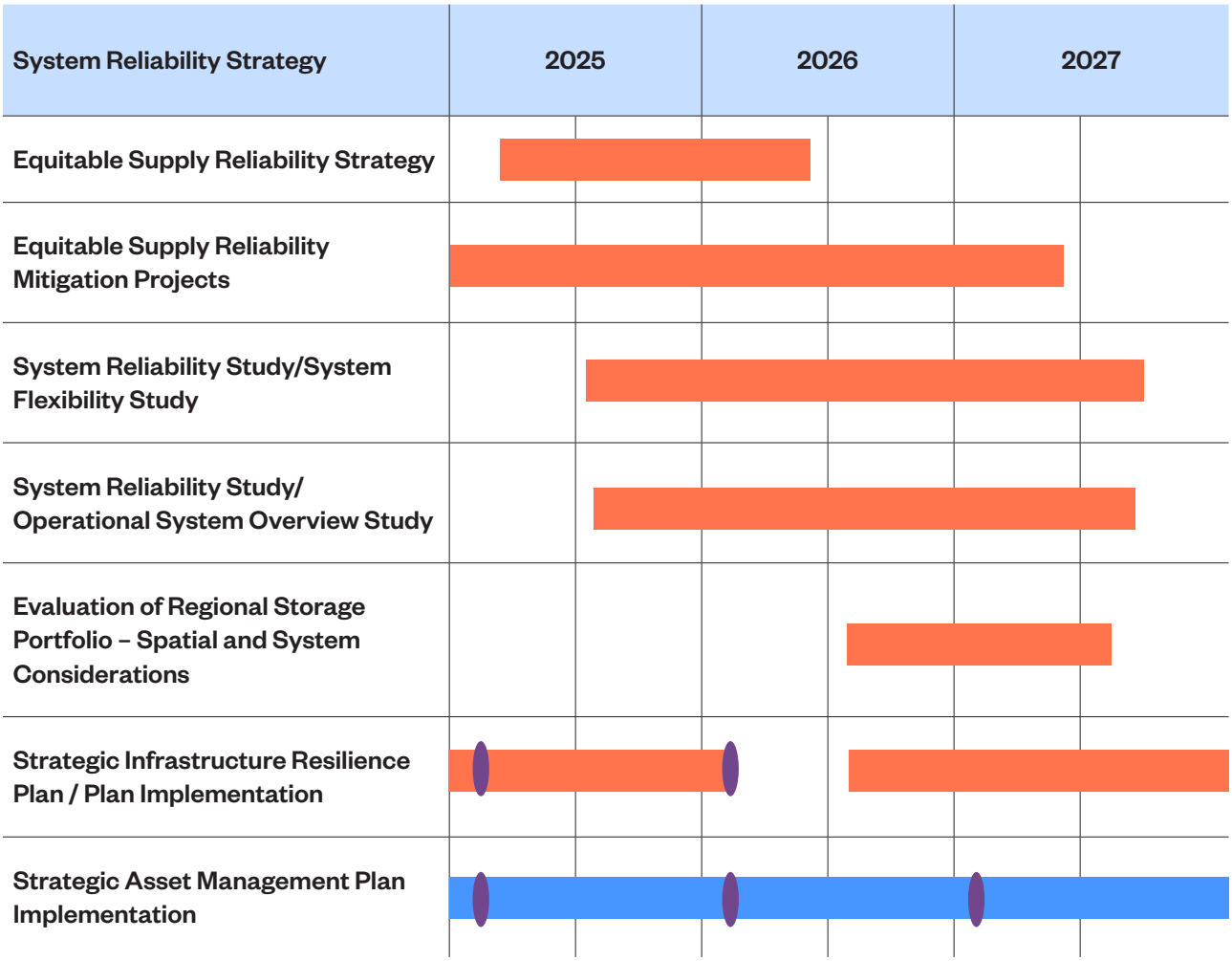
- Formulate strategies to improve infrastructure resilience.
- Align organization-wide resilience efforts by defining vision, goals, and strategies.
- Guide the development and implementation of a comprehensive resilience program.
- Ensure integration of resilience program into existing operational framework and alignment with other core programs

Strategic Asset Management Plan Implementation Strategies – Continue current efforts to implement the Strategic Asset Management Plan.

Timeline

A preliminary schedule for the activities outlined above is shown below:

Upcoming Activities (Preliminary Schedule)



Subcommittee on Long-Term Regional Planning Processes and Business Modeling

Member Agency Update on Business Model Refinement
Ad Hoc Working Group on Business Model Refinement
Engineering Working Sub-Group

Item 3b
April 22, 2025

Engineering Sub-Working Group

- Scope of Engineering Sub-Working Group:
  1. Review the August 2022 Board Resolution for equivalent water supply reliability to all Member Agencies
  2. Evaluate member agency requests for improvements to system flexibility
     - Determine the feasibility of extending Sepulveda Feeder pumping to LA-25
     - Identify options to improve Foothill MWD system flexibility
  3. Develop a Roadmap for Upcoming Studies and Activities
     - Integrated Strategy for Infrastructure Reliability

Meetings to Date: 2

1. Review the August 2022 Board Resolution for equivalent water supply reliability to all Member Agencies

- Agreed to a review of the Equitable Supply Reliability definition considering all the studies currently underway
  - *Integrated Strategy for Infrastructure Reliability* workshops
- Workshop Series Objective *(draft – to be defined at the workshop)*
  - Improve Southern California's regional water systems reliability by identifying feasible improvements to infrastructure that increase resilience, reduce vulnerabilities, and improve overall reliability

Review the August 2022 Board Resolution for the equivalent water supply reliability to all Member Agencies

- April 28th, Workshop Objectives
  - Proposed Studies and Activities
    - Review Metropolitan's proposal for studies
    - Solicit input on the proposals from Member Agencies
  - Objectives
    - Identify additional objectives for the Integrated Strategy for Infrastructure Reliability workshop series
  - Workshops Approach
    - Develop and agree on an approach for conducting the workshops
    - Determine the frequency of meetings
    - Solicit input on key questions
    - Solicit input on planned activities

Integrated Strategy for Infrastructure Reliability Studies and Activities

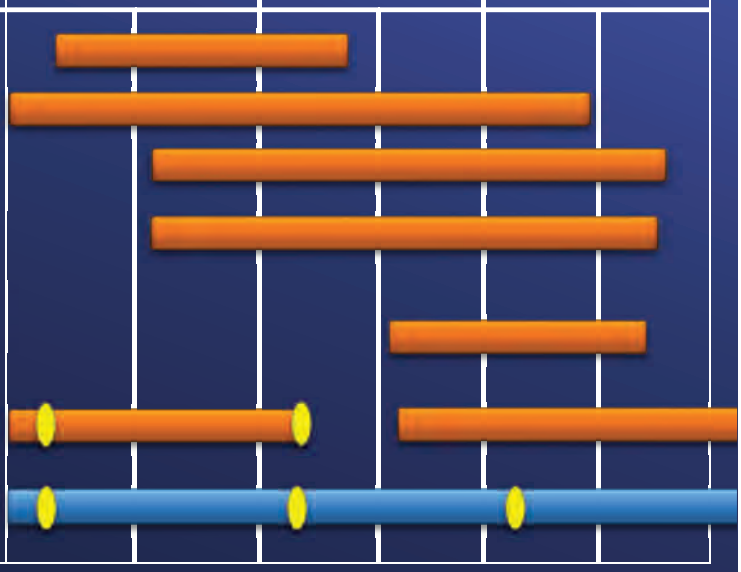
- Equitable Supply Reliability Identification
- Equitable Supply Reliability Mitigation Projects
- System Reliability Study/System Flexibility Study
- System Reliability Study - Operational System Overview Study
- Evaluation of Regional Storage Portfolio - Spatial and System Considerations
- Strategic Infrastructure Resilience Plan / Plan Implementation
- Strategic Asset Management Plan Implementation Strategies

2. Engineering Sub-Working Group – Study Goals Member Agency Requests

- LADWP
  - Determine the feasibility of extending Sepulveda Feeder pumping to LA-25
  - Results:
    - Capable of delivering water to LA-25 with Sepulveda Feeder Pumping Stage 1 implementation
    - Incorporate additional infrastructure during Sepulveda Feeder Pumping Stage 2
- Foothill MWD
  - Identify options to improve Foothill MWD's system flexibility
  - Results:
    - Identified 9 options to improve FMWD's Flexibility
    - Inclusion as part of a larger East-West conveyance alternative has benefits
    - Continue to evaluate as part of the E/W Conveyance studies

3. Upcoming *Integrated Strategy for Infrastructure Reliability* Studies and Activities

System Reliability Strategy	2025	2026	2027
• Equitable Supply Reliability Identification			
• Equitable Supply Reliability Mitigation Projects			
• System Reliability Study/System Flexibility Study			
• System Reliability Study/Operational System Overview Study			
• Evaluation of Regional Storage Portfolio - Spatial and System Considerations			
• Strategic Infrastructure Resilience Plan / Plan Implementation			
• Strategic Asset Management Plan Implementation Strategies			



Subcommittee on Long-Term Regional Planning Processes and Business Modeling

Status Report on Treatment Surcharge and Recommendations on Reserves, Water Transactions, and Other Fixed Revenues

Item 3b
April 22, 2025

Summary of work completed to-date

Treated Water Cost Recovery

11 Workshops since May 2024

- Key concerns/issues raised by MA's during Budget adoption with the Treatment Surcharge
- Goals and objectives of the Treated Water Cost Recovery Workgroup, including the Policy Principles on Treated Water previously adopted by the Board and past efforts to develop alternative approaches to Treated Water Cost Recovery
- MWD's current treatment operations, plant capacity, utilization (including distribution of historical data by member agency), cost, and cost of service, which included support from MWD's external rate consultant as needed
- Identified a portion of the treated system that provides a regional drought reliability benefit, which included the development of a white paper "Regional Drought Reliability Benefits Due to Flexibility of the Integrated Treated Water System" dated January 17, 2025
- MWD and MA's developed and evaluated treated water cost recovery alternatives for Peaking and Standby Use:
  - Six (6) Treatment Peaking Alternatives
  - Nine (9) Treatment Standby Alternatives
  - Four (4) separate proposals introduced by Member Agencies in January 2025, February 2025, March 2025 and March 14 2025

Board Direction
FY 2024/25 & 2025/26 Budget Cycle

Board Direction

On April 9, 2024, the Board took action to adopt the Fiscal Year (FY) 2024/25 and FY 2025/26 Biennial Budget (Option 1), including Recommendation (i) related specifically to the Treatment Surcharge.

"Metropolitan staff will work with member agency staff and the CAMP4Water Task Force to understand and analyze the treatment surcharge and specifically address issues that arise from that analysis including but not limited to modifying the way the charge is calculated. A final method will be prioritized as part of the new business model discussion and recommended for adoption as soon as possible thereafter but no later than approval of the new business model."

Discussions by Member Agencies in FY 2024/25 & 2025/26 budget cycle:



- Because of the 100% volumetric treated water rate structure, agencies that can only access treated water from Metropolitan pay a **disproportionate cost** to maintain the treatment capacity for those that use treated water on an as-needed basis
- Rate structure best practices involve collecting approximately one-third of revenue through fixed charges and the remainder through volumetric charges. Higher fixed revenues will assist in **rate stability**
- Increases in other fixed revenue sources, such as AV taxes, should not adversely impact the Treatment Surcharge



- The pace of Treatment Surcharge increases presents **affordability challenges** for member agencies, particularly those that only purchase treated water from Metropolitan
- **Rate predictability** is key to financial planning for member agencies and their customers
- Consideration should be given to deferring non-critical capital investments and **decommissioning surplus treatment capacity** to reduce costs and rate increases

2017 Adopted Policy Principles

Policy Principles for Treatment Rates and Charges

1. Treatment rates and charges shall align treatment costs with treatment services and benefits received consistent with cost-of-service principles.
2. Treatment services shall be recognized to include physical water treatment, as well as operational benefits such as available treatment capacity used by member agencies.
3. In an effort to contain overall treatment costs on an on-going basis, MWD shall programmatically identify opportunities to partially or fully decommission unneeded treatment infrastructure and minimize future O&M and capital expenditures. MWD should obtain member agency commitment to utilize new or expanded future treatment capacity.

Guiding Framework for Rate Design Solutions

Consistent with 2017 Adopted Policy Principles and Feedback

Treatment Rates & Charges Should:

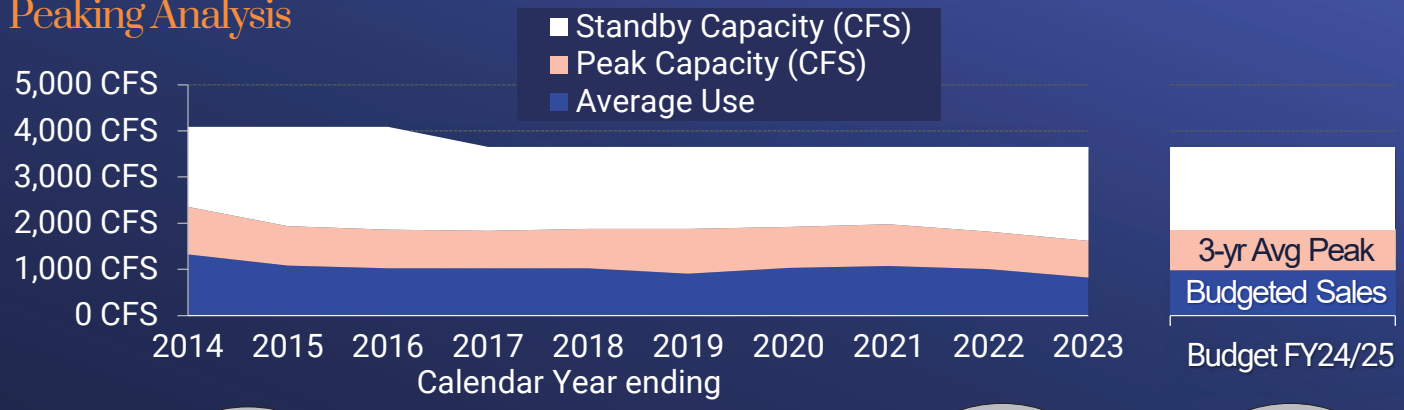
1. Be consistent with industry standard cost of service principles
   - Provide a clear nexus between member agency cost responsibility and benefits received
     - … "Rate charged should reflect the cost of having capacity reserved and available for the customer" (AWWA M1 Principles of Water Rates, Fees, and Charges, 7th Edition)
2. Align treatment rates with treatment services received
   a) Align the treated water cost recovery with (1) the service commitments and (2) infrastructure capital investments made by Metropolitan
   b) Reflect the cost to maintain the treatment capacity and the treatment benefits received for average, peaking, and standby uses
   c) Evaluate the portion of standby capacity that provides regional drought reliability
3. Enhance rate stability and predictability
   a) Recover a portion of the treatment cost on fixed charge(s)
   b) Working closely with Member Agencies to continue to identify opportunities to partially or fully decommission unneeded treatment infrastructure & minimize future O&M & capital expenditures
   c) Continue obtaining member agency commitment to utilize new or expanded future capacity

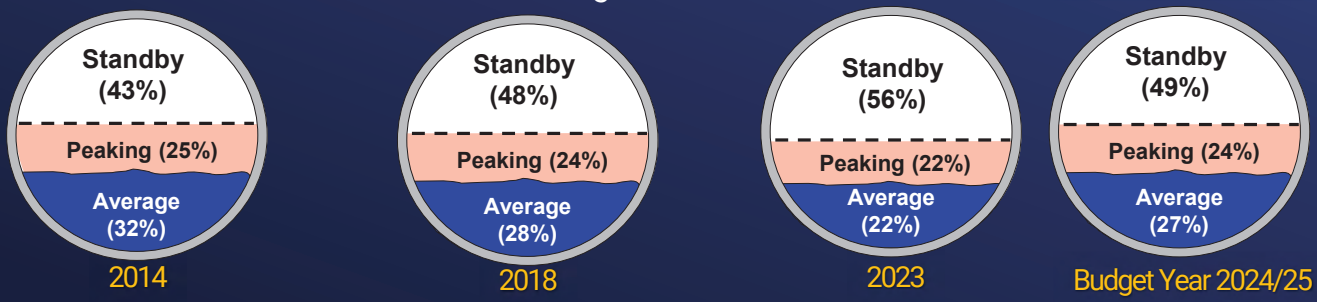
Cost of Service Process

Treated System Capacity

Peaking Analysis

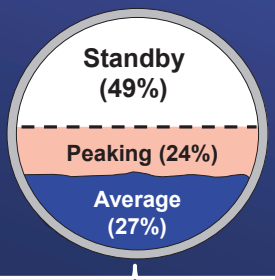
Annual demands, Non-Coincidental Max Peak Day





The Cost of Standby and Peaking Capacity

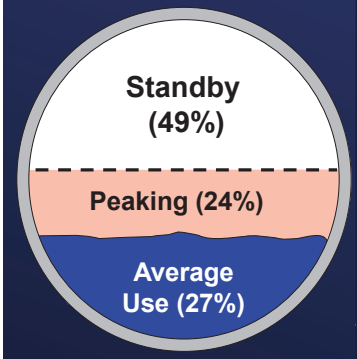
Treatment Cost Allocation for 2024/25 Budget



	Variable Treatment Costs	Other Operating Costs	Planning Costs	Capital Financing Costs	Required Reserves	Total	
Standby Capacity			✓	✓	✓	$74M	22%
Demand (Peaking)			✓	✓	✓	$36M	10%
Commodity (Average Use)	✓	✓	✓	✓	✓	$238M	68%
						$348M	

Treatment Plant Capacity, Use and Cost

Estimated for 2024/25 Budget Year

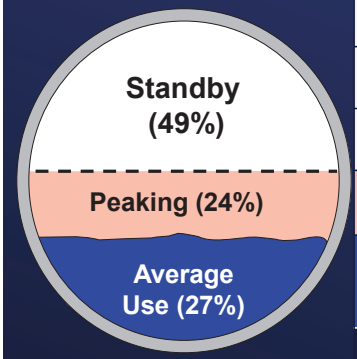


Designed Capacity for	CFS	% of Designed Capacity	% of Standby	Estimated 2024/25 Costs
Regional Drought Reliability	650	18%	36%	$27M
Treatment Standby	1,142	31%	64%	$47M
Peaking Use	863	24%		$36M
Average Use	996	27%		$238M
Total Designed Capacity	**3,651**	**100%**		**$348M**

$74M

2025 Treatment Costs & Treatment Surcharge

Estimated for 2024/25 Budget Year & CY 2025 Treatment Surcharge



Treatment Allocated Costs for Budget 2024/25	Costs	Treated Water Transactions	Current Treatment Surcharges ($/AF)
	A	B	C = A / B
Regional Drought Reliability	$27M	720,869 AF	$37
Unused Treatment Standby	$27M	720,869 AF	$37
Used Treatment Standby	$20M	720,869 AF	$28
Peaking Use	$36M	720,869 AF	$50
Average Use	$238M	720,869 AF	$331
Treatment Allocated Costs	**$348M**	**720,869 AF**	**$483**

Workgroup Status Report on Treatment Cost Recovery

Workgroup Status Report

- Broad recognition that action is needed, as the current 100% volumetric approach is inconsistent with the Board's previously adopted Policy Principles on Treated Water
- After 11 months of analysis, two (2) Member Agency proposals remain for Treated Water Cost Recovery
  - Both establish a component of fixed treatment revenues through Peaking and Standby fixed charges
  - Both would created fixed charges equal to approximately 30% of total Treatment revenues
  - Both would be phased-in to minimize initial impacts
  - Differences exist in billing determinants and allocation of the peaking fixed cost component that require further discussion

February MA Proposal

Alternate proposal to the March 14 2025, MA Proposal

Treatment Peaking Charge

- The Peaking Charge would be ***capped*** at 10% of total treatment costs
- Peaking would be collected based on ***Alternative 2*** (3-yr trailing max annual peak day demand)

Treatment Standby Charge

- The Standby Charge would be ***capped*** at 20% of total treatment costs
- Standby would be collected based on ***Alternative C*** (10-yr trailing annual standby max annual usage minus average in AF)

Treatment Volumetric Rate

- All remaining treatment cost will continue to be recovered on a volumetric rate

Items to be further reviewed before the FY2028/29 budget process

- Regional Drought Reliability Charge
- Incremental Peaking

Adjustments / Certifications to Peaking Flows for All Alternatives

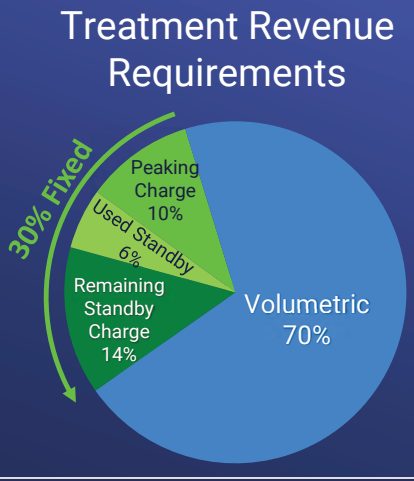
- Similar to the existing Capacity Charge, treated water peaking flows resulting from MWD's operational requests (e.g., shutdowns, service disruptions, wet year operations, dry year operations) will not be included in an agency's peaking calculations

- All data and adjustments would be fully documented and validated by each agency, following the existing process for RTS and Capacity Charges

March 14 2025, MA Proposal

Proposed by MA after March 12, 2025, Workshop

1. Peaking Charge: Recovered on 3-yr trailing max annual peak day demand (Alt 2)
2. Used Standby Charge: Recovered on 10-yr max annual usage minus 10-yr average (Alt C)
3. Remaining Standby Charge
   - Recovered on 5-year max annual use
   - Ensures up to 30% fixed revenue recovery, including Peaking and used standby allocated costs



	Billing Determinants	Units	Description
Peaking Charge	3-yr trailing maximum ***annual*** peak day demand	CFS	Consistent with Alt 2: Represents member agencies' peak use throughout the year.
Used Standby Charge	10-yr max annual usage minus 10-yr average	AF	Consistent with Alt C: Represents MA's standby use in the past 10-yrs beyond seasonal peak and average use
Remaining Standby Charge	5-yr max annual demand	AF	This charge inclusive of the Peaking and Used Standby Charge adds up to 30% of the Treatment Revenue Requirements.

March 14 2025, MA Proposal

Treatment Peaking Charge

- Peaking Costs recovered on 3-year trailing maximum annual peak day demand in CFS (Alternative 2)

Treatment Standby Charge

- Used Standby – Recovered based on 10-year trailing annual standby use, i.e. 10-year maximum annual use minus average use in acre-feet (Alternative C)
- Remaining Treatment Standby – Recovered based on 5-year rolling maximum annual use in acre-feet
  - This charge inclusive of the Peaking and Used Standby Charge would add up to 30% of the Treatment Revenue Requirements

Treatment Volumetric Rate

- All remaining treatment cost will continue to be recovered on a volumetric rate

Implementation

- There was broad support for phased-in implementation of the Peaking and Standby fixed charges to minimize initial member agency impacts and provide opportunities for member agencies to adjust operations accordingly:
  - Peaking = 3-year phase-in
  - Standby:
    - Used = 10-year phase-in
    - Remaining = 5-year phase-in

March 14 2025, MA Proposal

Other Details

MA support for this proposal requires consensus on language for adjustments and certifications

- Before the adoption of the new treatment fixed charges, MWD Staff would work with MAs to refine the language for the Adjustments to Peaking Flows, ensuring equitable modifications for extraordinary operation activities that benefit MWD's system.
- All data and adjustments would be fully documented and validated by each agency, following the existing process for RTS and Capacity Charges

Items to be further reviewed before the FY2028/29 budget process

- Potential Regional Drought Reliability Charge (i.e., a portion of treated standby capacity that benefits both treated and untreated users)
- Incremental Peaking (i.e. 3-year max daily minus 3-year average daily flows)
- Unused Standby Charge refinement to capture potential use of the unused standby capacity more closely than volumetric usage basis
- MWD shall work closely with MAs to continue to identify opportunities to partially or fully decommission unneeded treatment infrastructure

March 14 2025, MA Proposal

Adjustments / Certifications to Peaking Flows for All Alternatives

- MWD staff, including legal counsel, collaborated with Member Agencies on the language for proposed adjustments to Peaking Flows used to determine the peaking charge. However, staff was unable to identify an adjustment that would both meet cost of service requirements and comply with Proposition 26 (pursuant to a recent trial court ruling that its requirements apply to Metropolitan's wholesale rates and charges, which is currently on appeal)
- At the April 10, 2025 meeting, an alternative was proposed using the Summer Peak as the billing determinant (previously considered as Alternative 1). However, this option did not receive broad support from the Member Agencies based on prior questionnaire responses
- **Staff recommends continuing discussions with MAs through additional meetings in May, with the goal of reaching consensus on a proposal to be forwarded to the Board for consideration**

Workgroup Recommendations on Unrestricted Reserve Policy

Recommendations: Unrestricted Reserve Policy Changes

Technical Changes:

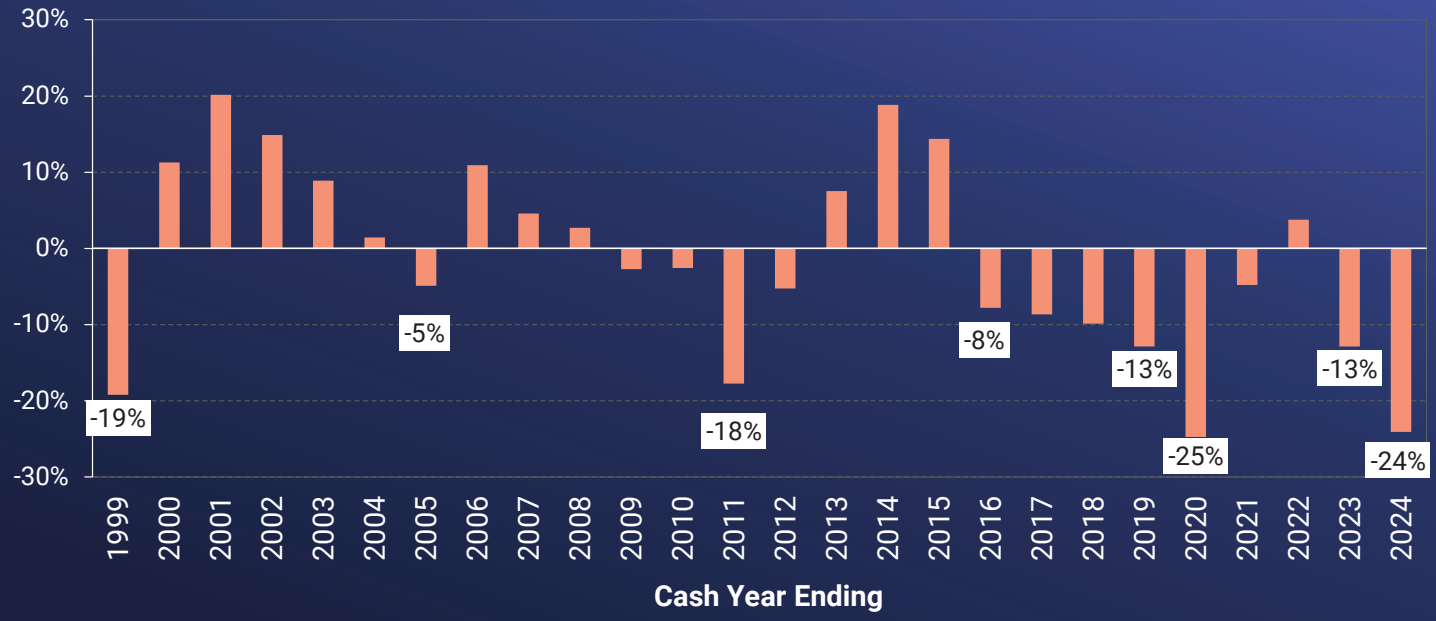
1. Update the Percent Reserves to reflect recent water sales volatility
   - ✓ Incorporate conservative demand assumptions in rate setting into the calculation
     - ➢ Adopt policy to set water demand at 70% exceedance for rate setting with a long-term target of 80%.
2. Recognize the disconnect between supplies and sales
   - ✓ Exclude variable costs from reserve calculations
   - ✓ No correlation between water sales and variable costs
3. Incorporate protection for treated water sales volatility
   - ✓ Include Treatment revenue requirements in the Unrestricted Reserve Minimum and Target Levels to enhance volatility protection for treated water sales revenues → Treatment Surcharge Stabilization Fund would be combined into unrestricted reserves
4. Adjust required reserve calculation to exclude one-time revenues and unawarded grants

Policy Changes

1. Update Admin Code language regarding the appropriate use of reserves in excess of target levels
2. Add language specifying the intentional use of reserve for one-time expenditures, unforeseen revenue shortfalls or increases in existing expenditures

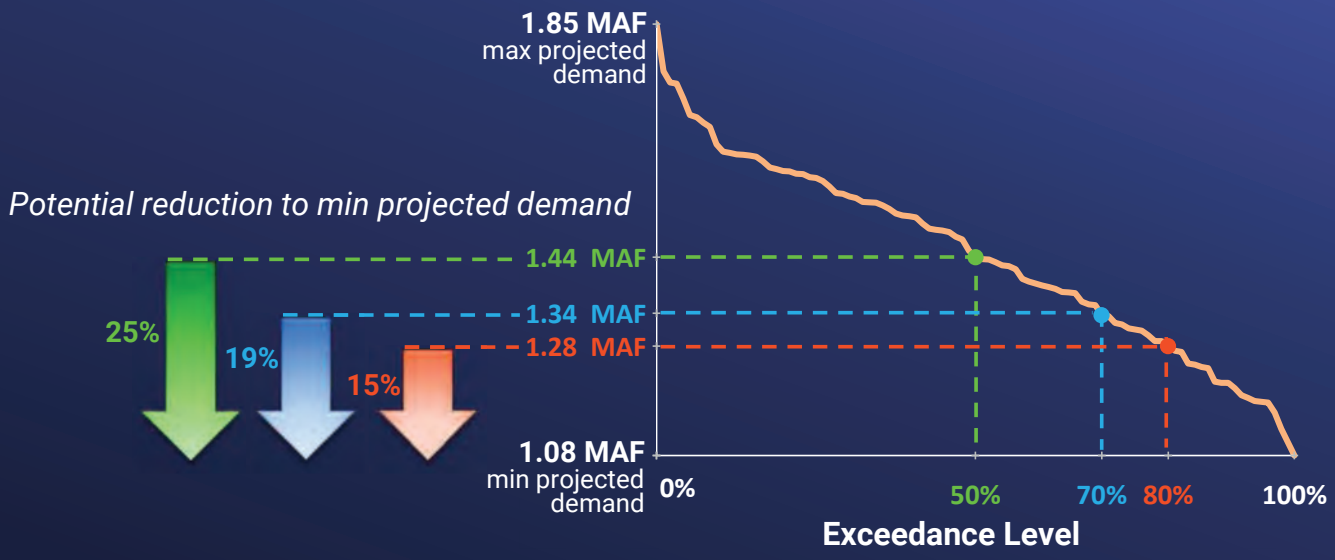
Variability Metropolitan's Historic Water Transactions

% change from budget



Projected Demand Variability

Projected Demands (MAF) for Calendar Year 2025



Current Unrestricted Reserve Calculation

for June 30th, 2025, in millions of dollars

	2025/26 Budget	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
Gross Revenue Requirement	**$2,274**	**$2,408**	**$2,597**	**$2,773**
Less Property Tax	*$334*	*$342*	*$351*	*$359*
Less Interest Income, Power Sales & Misc. Revenues	*$120*	*$97*	*$84*	*$86*
Less Unawarded Grants & One-time Revenues	*$127*	*$20*	*$20*	*$20*
Less Fixed Charges				
RTS Charge	*$185*	*$188*	*$202*	*$219*
Capacity Charge	*$46*	*$48*	*$52*	*$56*
Net Water Rate Revenue Requirements	**$1,462**	**$1,713**	**$1,889**	**$2,033**
Less Variable Costs				
Treatment Surcharge Rev Req.	$342	$342	$362	$369
SWC Variable Power Costs	$238	$236	$235	$233
CRA Power Costs	$93	$97	$99	$102
Fixed Costs Recovered by Water Rate	**$789**	**$1,037**	**$1,193**	**$1,329**
Percent Reserved	17.5%	17.5%	17.5%	17.5%
Annual Amount Reserved	**$138**	**$181**	**$209**	**$232**

Minimum Reserve Level = 138 + 181 / 2 = **$229 million** ← *18 months*

Target Reserve Level = 138 + 181 + 209 + 232 / 2 = **$645 million** ← *42 months*

Proposed Refinements to Unrestricted Reserve Calc.

for June 30th, 2025, in millions of dollars

	2025/26 Budget	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
Gross Revenue Requirement	**$2,274**	**$2,408**	**$2,597**	**$2,773**
Less Property Tax	*$334*	*$342*	*$351*	*$359*
Less Interest Income, Power Sales & Misc. Revenues				
~~Less Unawarded Grants & One-time Revenues~~				
Less Fixed Charges				
RTS Charge	*185*	*$188*	*$202*	*$219*
Capacity Charge	*$46*	*$48*	*$52*	*$56*
Net Water Rate Revenue Requ	**462**	**$1,713**	**$1,889**	**$2,033**
~~Less Variable Costs~~				
Treatment Surcharge R			$362	$369
SWC Variable Power Co			$235	$233
CRA Power Costs			$99	$102
~~**Fixed Costs Recovered by Water Rate**~~	**$789**	**$1,037**	**$1,193**	**$1,329**
Percent Reserved	~~17.5%~~	~~17.5%~~	~~17.5%~~	~~17.5%~~
Annual Amount Reserved	**$138**	**$181**	**$209**	**$232**

Adjust required reserve calculation to exclude one-time revenues and unawarded grants

Maintain current flexibility to automatically adjust unrestricted reserves for new fixed charges

Incorporate protection for the treated water sale volatility

Recognize the disconnect between supplies and sales

Update % Reserved to reflecting 70% exceedance demand used for rate setting

Updated Unrestricted Reserve Policy - 70% Exceedance Demand

for June 30th, 2025, in millions of dollars

	2025/26 Budget	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
Gross Revenue Requirement	**$2,274**	**$2,408**	**$2,597**	**$2,773**
Less Property Tax	*$334*	*$342*	*$351*	*$359*
Less Interest Income, Power Sales & Misc. Revenues*	*$120*	*$97*	*$84*	*$86*
Less Fixed Charges				
RTS Charge	*$185*	*$188*	*$202*	*$219*
Capacity Charge	*$46*	*$48*	*$52*	*$56*
Net Water Rate Revenue Requirements	**$1,590**	**$1,733**	**$1,909**	**$2,053**
Percent Reserved	19%	19%	19%	19%
Annual Amount Reserved	**$302**	**$329**	**$363**	**$390**

for 70% Exceedance Demand

Minimum Reserve Level = $302 + $329 / 2 = $467 million ← *18 months*

Target Reserve Level = $302 + $329 + $363 + $390/2 = $1,189 million ← *42 months*

** Misc. Revenues – Lease, Non-MA Sales, $80M State Fund Use and Awarded Grants, excluding one-time revenues such as IRA Fallowing Revenues, $60M Stored Water Sales, Sales of Assets*

Updated Unrestricted Reserve Policy

for June 30th, 2025, in millions of dollars



Implementation Strategy

Adopt reserve policy to set water demand at 70% exceedance for rate setting with a long-term target of 80%

*Revenue from Reverse Cyclic Program (RCP) pre-sales

Unrestricted Reserve Policy Refinements

Policy Change – Modify language in Admin Code for appropriate use of reserves in excess of target levels

Funds in excess of the target level shall be utilized as directed by the Board for:

- Funding capital expenditures of the District in lieu of the issuance of additional debt,
- Redemption, defeasance, or purchase of outstanding bonds or commercial paper,
- Addressing the District's pension or OPEB (other post-employment benefit) liabilities (including but not limited to the establishment or funding of a pension trust fund), or
- Meeting other legal or financial obligations.

Additional proposed policy: *"Reserves, by nature, are one-time funds, fiscal prudence dictates that they should <u>not</u> be used to cover ongoing expenditures"*

Unrestricted Reserve Technical Refinements

Strengths

- ✓ Revised % reserve to reflect recent water sale volatility using a more conservative exceedance water transaction assumption for rate settings
  - ✓ Updated policy to account for higher sale volatility due to climate change
  - ✓ 70% exceedance water transaction assumption in rate settings provides a mechanism to achieve target reserve levels over time
- ✓ Including treatment sale volatility as part of the reserve calculation
  - ✓ Combines Treatment Surcharge Stabilization Fund (TSSF) into unrestricted reserves
- ✓ Automatic adjustments for new fixed charges (existing feature)
- ✓ Excludes uncertain revenues → reducing the risk of revenue shortfalls
- ✓ Higher unrestricted reserve balance → more favorable with credit ratings agencies

Potential Challenges

- ❑ Higher minimum to maintain every year
- ❑ Does not include reserves to fund filling of storage
- ❑ Does not include reserves to fund unforeseen one-time expenditures

Workgroup Recommendations on Conservative Water Transactions Assumptions for Water Rate Settings

Conservative Water Transactions Assumptions

Recommendations

Set policy to set water demand at 70% exceedance for rate setting with a long-term target of 80%

- ✓ This approach creates a mechanism to maintain reserves at the target level, providing additional protection against rate spikes

Workgroup Recommendations on Other Fixed Revenues

Recommendations for Other Fixed Revenues

1. Continue to discuss with MA on the two (2) proposals for Treated Water Cost Recovery Recommendations
2. Continue to assess other fixed revenues
   - Metropolitan will collaborate with member agencies to review and assess other fixed revenues. The goal is to develop recommendations for the Board before April 2027
   - Potential fixed revenues include:
     - Voluntary Level Pay Plan
     - Fixed charge for Demand Management
     - Expansion of current RTS and Capacity Charge to also recover O&M costs
     - Ad Valorem Property Taxes
       - Evaluate the impacts of increasing the ad valorem property tax rate on future budgets, rates, charges, and reserves, with the potential to offset additional State Water Contract costs

Recommendations Summary

Recommendations

Treated Water Cost Recovery

- Continued discussion with MA on two (2) proposals in May

Unrestricted Reserve Policy

- Adopt the recommended technical and policy changes
  - Adopt reserve policy calculations for the FY 2026/27 and FY 2027/28 biennium using 70% exceedance demand with a long-term target of 80%

Recommendations

Conservative Water Transaction Assumptions

- Establish a policy to use 70% exceedance water demand for rate settings during budget development, without relying on one-time revenues or reserve draws with a long-term target of 80%

Fixed Revenues

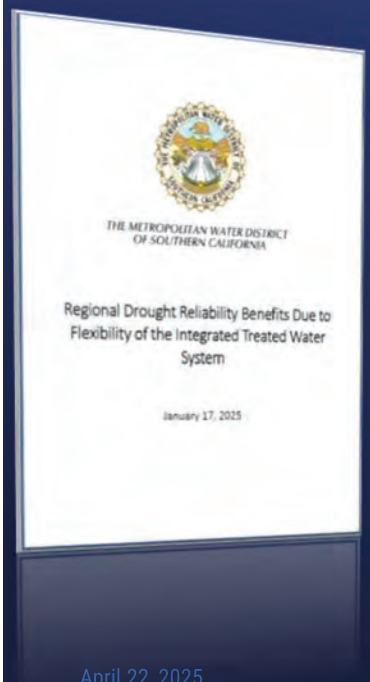
- Adopt and implement the proposed fixed treatment charges as outlined in the Treated Water Cost Recovery Recommendations
- Continue to assess other fixed revenues
  - Voluntary Level Pay Plan
  - Fixed charge for Demand Management
  - Expansion of current RTS and Capacity Charge to also recover O&M costs
  - Increase Ad Valorem Property tax to cover additional State Water Contract costs and increase Metropolitan's share of fixed revenues

Next Steps

June 2025	Information Presentations to the FAAME Committee • Workgroup recommendations for Treated Water Cost Recovery, Fixed versus Volumetric Revenues and Reserves
July 2025	Presentations to the Board of Directors • Workgroup recommendations for Treated Water Cost Recovery, Fixed versus Volumetric Revenues and Reserves

Regional Benefit Analysis

Regional Benefit of Flexible Treatment Plant Operations



High SWP allocation (wet) years

- Maximize deliveries to storage (including DVL) to support SWP Dependent Area
- Maximize West Branch and expand Jensen treatment into Common Pool
  - Reduced flows at Weymouth and Diemer allows storage of CRW at Lake Mead and DWCV
- Maximizes overall storage for region and minimizes SWP Table A "left behind"

Low SWP allocation (dry) years

- Maximize CRW deliveries and increase Weymouth/Diemer treatment into Common Pool; minimize Jensen treatment
  - Preserves SWP supply for SWP Dependent Area
- Minimizes potential for allocation, particularly for SWP Dependent Area agencies

Regional Benefit of Flexible Treatment Plant Operations

Under High SWP Allocation

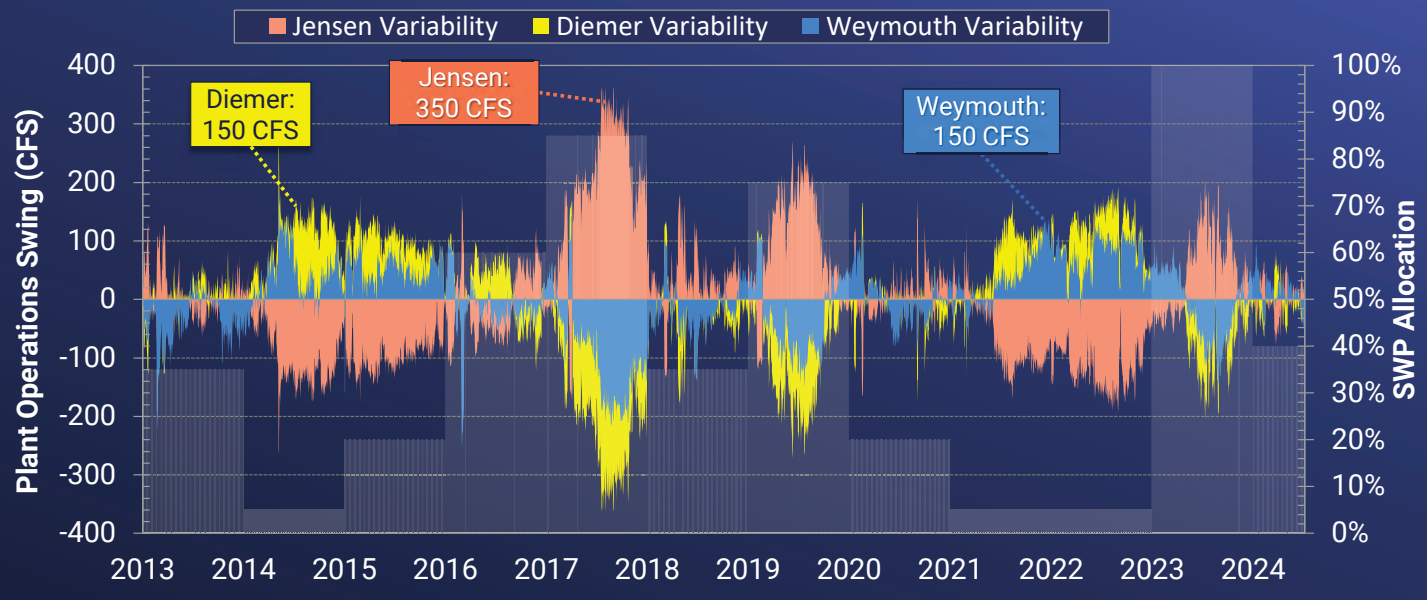


Under Low SWP Allocation



Treatment Plant Regional Drought Reliability Analysis

Swings in Treatment Plant Operations to Meet Demands in Common Pool



Metropolitan Treatment Plant Capacities

Plant	Area Served	Current Capacity		Capacity for:	
		MGD	CFS	Regional Drought Reliability	Treatment
Mills	Local Mills Area	220 MGD	340 CFS	-	340 CFS
Skinner	Local Skinner Area	350 MGD	541 CFS	-	541 CFS
Jensen	**Common Pool** and Local Jensen Area	750 MGD	1,160 CFS	350 CFS	810 CFS
Diemer	**Common Pool** and Local Diemer Area	520 MGD	804 CFS	150 CFS	654 CFS
Weymouth	**Common Pool** and Local Weymouth Area	520 MGD	804 CFS	150 CFS	654 CFS
Total		**2,360 MGD**	**3,651 CFS**	**650 CFS** (18%)	**3,001 CFS** (82%)

Tr. Peaking Charge Implementation Strategy

Billing Determinants assuming CY 2027 as 1st year of implementation

	Year 1	Year 2	Year 3
CY 2027 Charge	Actual FY 2025 Avg Daily Demand		
CY 2028 Charge	FY 2026 data	Actual FY 2025 Avg Daily Demand	
CY 2029 Charge	FY 2027 data	FY 2026 data	Actual FY 2025 Avg Daily Demand
CY 2030 Charge	FY 2028 data	FY 2027 data	FY 2026 data

Tr. Standby Charge Implementation Strategy

Billing Determinants Example

	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10
CY 2027	Actual FY 2025 Treated Demand					
CY 2028	FY 2026 data	Actual FY 2025 Treated Demand				
CY 2029	FY 2027 data	FY 2026 data	Actual FY 2025 Treated Demand			
CY 2030	FY 2028 data	FY 2027 data	FY 2026 data	Actual FY 2025 Treated Demand		
CY 2031	FY 2029 data	FY 2028 data	FY 2027 data	FY 2026 data	Actual FY 2025 Treated Demand	
… CY 2037	FY 2035 data	FY 2034 data	FY 2033 data	FY 2032 data	FY 2031 data	FY 2026-2030 data

Subcommittee on Long-Term Regional Planning Processes and Business Modeling

Ad Hoc Working Group Recommendations from the Water Resources Sub-Working Group

Item 3b
April 22, 2025

Water Resources Sub-Working Group Objectives

- Develop recommendations for the Ad Hoc Workgroup regarding Metropolitan's role in supporting the following:
  - Member agency local supply exchanges
  - Sales of water outside of the service area
  - Development of Local Resources and Conservation

Member Agency Local Supply Exchange

Recommendations

Metropolitan should support local supply exchanges between member agencies

- Direct staff to develop a local supply exchange framework that incorporates the considerations identified by the sub-working group
- Direct staff to recommend needed policy changes to implement the framework
- Approval of framework and policy changes should go through One Water and Adaptation Committee

Member Agency Local Supply Exchange

Considerations

Key considerations that should be examined when developing the Local Supply Exchanges Framework

- Identify and implement policy changes needed to support local supply exchanges
- For indirect exchanges, Seller must have the ability to consume the local supply being sold and exchanged
- Metropolitan should only deliver to participating agencies when adequate supplies and system capacity are available for exchange
- Exchanges should not result in an additional cost to the region and should recover cost/full service rate

Sales Outside of the Service Area

Recommendations

Metropolitan should support water sales outside of the service area

- Direct staff to develop a framework that incorporates the considerations identified by the sub-working group
- Approval of framework should go through the One Water and Adaptation Committee

Sales Outside of the Service Area

Considerations

Metropolitan should support water sales outside of the service area

- Existing policy currently supports outside water sales – no changes to policy needed
- The existing Water Surplus and Drought Management planning process should identify conditions under which surplus supplies could be sold and sales should not impact future regional reliability
- Metropolitan should continue to invest in new storage and exchange opportunities for managing surplus supplies for the benefit of the region

Sales Outside of the Service Area

Considerations (continued)

Metropolitan should support water sales outside of the service area by:

- Water sales revenues should recover at minimum Metropolitan's overall water supply costs
- Metropolitan should not include anticipated revenues from the sale of water outside of the service area to unidentified parties, or from unidentified transactions in its budget, revenue requirements, or rate-setting processes

Local Resources and Conservation

Recommendations

Metropolitan should continue to support the development of local supplies through the Local Resources Program (LRP) and Conservation

- Direct the Finance Group to continue to develop an alternative method to fund these programs
- Direct staff to establish a new working group to evaluate program design and develop structural refinements to these programs

Local Resources and Conservation

Considerations

The Sub-Working Group is supportive of Metropolitan continuing to support the development of local supplies and conservation programs through incentives

- Conservation and LRP are important programs that play a significant role in managing demands
- A new funding mechanism needs to be established to fund Conservation and LRP that recognizes reduced revenues from water sales
- Conservation and LRP should be evaluated to determine if the incentive amounts are appropriate and if program structure continues to meet regional needs

To: Board of Directors, *Municipal Water District of Orange County*
From: Natural Resource Results
RE: Monthly Board Report – May 2025

Federal Agency Staffing

Agency staffing continues to dominate headlines even though final Reduction in Force (RIF) plans have not been made public. As an example, there have been reports of up to 900 staff departing in Region 8 of the U.S. Fish and Wildlife Service. While we don't have final headcounts yet, we expect that all the Department of the Interior's agencies will take haircuts.

Appropriations

President Trump is expected to submit his FY26 budget request to Congress on May 13th. We expect the budget to propose significant cuts – upwards of 40% for EPA, for example – and really focus on "core missions" for agencies. While the House will likely support most of these cuts, Senate Democrats will not which will inevitably set up another showdown over government funding.

Cabinet Nominations

Andrea Travnicek, President Trump's nominee to be the Assistant Secretary of Water and Science, had her confirmation hearing in the Senate Energy and Natural Resources Committee on Wednesday April 30th. Ms. Travnicek previously held this role in an acting capacity during the first Trump Administration and has been a Senior Advisor to Governor Burgum prior to his nomination. We expect her to receive bipartisan support.

Still quiet on the Commissioner front…hopefully the fact that Ms. Travnicek's nomination is moving through the process means we will have a nominee for Commissioner soon.

Budget Reconciliation

The budget reconciliation process continues in both the House and the Senate. As a reminder, the reconciliation process allows for fast tracking of legislation by a simple majority instead of the usual 60 vote threshold in the Senate. This means that Republicans can advance legislation on a party line vote.

In the House, committees will begin marking up their sections of the reconciliation package in the coming weeks. The CA GOP is pushing to including full funding for the Shasta Raise and would specify that funding as non-reimbursable.

Proposed ESA Rule Change

The Trump administration plans to modify habitat protections for endangered and threatened species. At issue is a long-standing definition of "harm" in the Endangered Species Act, which has included altering or destroying the places those species live. The U.S. Fish and Wildlife Service and National Marine Fisheries Service said in a proposed rule issued Wednesday that habitat modification should not be considered harm because it is not the same as intentionally targeting a species, called "take." Environmentalists argue that the definition of "take," though, has always included actions that harm species, and the definition of "harm" has been upheld by the U.S. Supreme Court.

To:	MWDOC WOrkshop
From:	Syrus Devers
Date:	May 7th, 2025
Re:	State Legislative Report

Legislative Report

By the date of the Workshop the policy committees will have come through one of the three busiest times of the year. By May 2nd, all fiscal bills, which are over 80% of all bills, had to be voted out of all policy committees and be in the respective Appropriations Committees. Non fiscal bills got an extra week. After that, fiscal bills must clear the Senate and Assembly Appropriations Committees by May 23rd. Every bill must then clear the floor of its house of origin by June 6th.

SB 601 (Allen): As covered in this report last month, SB 601, which is on the Workshop's Agenda, may be the most complex bill in the Legislature outside of the budget. The bill passed out of the Senate Environmental Quality Committee on a party line vote on April 7th, and is set to be heard in the Senate Judiciary Committee the day after this report was prepared on the 28th. Given that Senator Allen sits on the committee, opponents have no realistic expectation of stopping the bill in the Senate.

Bills of Interest.

MWDOC supported **SB 496 (Hurtado)** which would clarify exemptions for Advanced Clean Fleet waiver requests, and provide a review process in the event of a denial. The bill passed out of Senate Transportation with a unanimous vote and awaits a hearing date in Senate Appropriations.

MWDOC also supports **SB 72 (Caballero)**, which is a reintroduction of the "Solve the Water Crisis" bill from last year. Redubbed "Water for All", the bill seeks to modify the California Water Plan to include discrete water supply goals and a process to meet them. The bill passed unanimously out of Senate Natural Resources & Water. Senator Caballero, who chairs the Appropriations Committee, then sent her own bill to the Suspense file on the 28th.

Two other bills on which MWDOC has a position will be in committee the week after this report was prepared. AB 514 (Petrie-Norris), which defines emergency water supplies, will be heard on April 29th, as well as AB 580 (Wallis), which is sponsored by MWD and removes the sunset on their inspection authority under SMARA. SDA will report on the outcomes of the hearings during oral presentation.

Although MWDOC did not take a position on AB 523 (Irwin), it was set for a hearing on the 29th in Assembly Local Government. This bill was amended to allow MWD agencies with one board member to appoint a proxy. The Local Government Committee required the bill to be further amended to limit the number of times a proxy can be used to six times in one year, and to limit proxies to board meetings,

which is to say no proxies can sit on committees. With those amendments the bill is expected to pass without opposition.

Administrative Report

The Delta Conveyance Project (DCP) received a legal setback when the Superior Court refused to lift an injunction on geotechnical work needed to design the tunnel. Opponents of the DCP successfully argued last year that the geotechnical work amounted to “implementation” of the DCP, which is prohibited until the Department of Water Resources (DWR) shows that the DCP complies with the Delta Reform Act. DWR unsuccessfully tried to argue that the geotechnical work was not covered under the Act.

Legal and Regulatory

May 7, 2025

1. **Court Case:** The California Appellate court made an important decision earlier last month. Some non-governmental environmental organizations had sued Bakersfield to modify Kern River flows. They were trying to enforce a state Fish and Game code which required water flow for fish to keep them in "good condition". A prior court had ruled in favor of the NGO's. The appellate court stated that the Constitution must be adhered to and reaffirmed "unreasonable or non-beneficial uses of water are never permitted under the Constitution, even if a statute would otherwise require it." In other words, the beneficial use requirement must be considered by all courts when deciding water use in the future. This case will likely have significance in future water decisions.

2. **More Algae Blooms:** Toxic algae blooms have been occurring more frequently off the Southern California coast for the past several months. For the fourth year in a row, these blooms have created large die offs of marine mammals. Domoic acid, which is a potent neurotoxin produced by the algae, has been known to impact marine mammals for years. The impact has been most severe on sea lions, who have become disoriented, foam at the mouth, have seizures, and have recently attacked a surfer off Ventura County. It has been recently diagnosed as the reason the minke whale died in Long Beach Harbor. This acid condition is a naturally occurring situation due to changing water temperatures. It is also suspected that organic runoff from storms and fertilizer could worsen this situation.

3. **More PFAS Progress:** As we have recently noticed, more and more solutions are coming up for the PFAS condition. Rice University has come up with another one. Their process is called flash joule heating which changes carbon into graphene. The carbon is saturated with PFAS and subjected to high voltage temperatures exceeding 3000° Celsius (over 5000 F) in under one second. This breaks down the PFAS into non-toxic salts and is 96% efficient and effective. This method is being looked at beyond forever chemicals and for other water treatment and waste management applications. The key, as with other new ideas, is the cost and whether it is commercially viable.

4. **Plants Improve Soil:** The Helmholtz Center in Germany is studying plants which can remove pollutants from soil. This study looks at cover plants which have the ability to remove nitrate, salts, metals, pesticides, plastics and other antibiotic genes from the soil. Cover plants are generally planted between main crops and are sometimes used for animal feed. Rye and sunflower plants are probably the best known two. These plants are very good at taking nitrate from the soil. This study will determine which plants are best for which products and the commercial viability of each. Plants that are used to remove metals will probably not be used for animal feed.

5. **Solar over Canals:** Project Nexus is currently in use in Merced County. Panels are covering various canals in the Turlock Irrigation District. Not only do they generate electricity, but they conserve the state's water supply by

reducing evaporation. The project covers about 1400 linear feet and is in two different locations based on the relationship to the sun. The project is a joint effort between the Turlock Irrigation District, a private company, UC Merced, and the California Department of Water Resources. The net impact of this project could have large repercussions for the 4000 miles of California's canal system. Not all our canals will be able to use this system due to size restraints, geography, and other issues. Cornell University is studying some of the negative impacts of the use of solar on small ponds or lakes. This concept can create significant greenhouse gas emissions which would negate the positive impacts.

6. **Snowpack Trifecta:** For the third straight year, California has had near average or above average snowfall. This has not happened in over 25 years. This follows the States 3 driest years on record from 2020 through 2022. Our major reservoirs are at or above average levels and Metropolitan Water District of Southern California has a record amount of water in storage. In addition, the Trump administration has issued orders to maximize pumping through federal facilities.

7. **More Water Devices:** Cornell has developed a hybrid solar distillation water electrolysis device. This device uses solar power and seawater to produce hydrogen and potable water. Devices like this are in production today, but most of them have a very low efficiency rate. The major improvement is the use of a capillary wick, which traps the water into a thin film to come in direct contact with the solar panel. Other devices attempt to heat a large volume of water at the same time. This device uses its superheat on a very small volume of water. The production of hydrogen as a byproduct is a value added to the project. The initial target for this product is third-world areas, but it does have the possibility of larger use.

8. **Utah Bans Fluoride:** Many states, including North Dakota, Tennessee, Montana, and Florida are considering bans on fluoride in public water and other additives. Utah becomes the first state to pass a blanket ban on fluoride in their water supply. This law will take effect May 7th of this year. Prior to passage of this new law, Utah had already restricted fluoride from approximately half of the water supply in the entire state. The governor indicated that the results of this experience have shown little difference in the outcome. Fluoride has been part of the United States water supply since 1945. The American Academy of Pediatrics, the American Dental Association and the CDC still endorse the addition of fluoride to help prevent cavities. The current Secretary of Health and Human Services, Robert F Kennedy Junior, has expressed skepticism on the value of fluoridation.

9. **More Invasive Species:** Last October, in the deep-water port of Stockton, a new invasive species was discovered, the golden mussel. It is already attaching itself to buoys and other monitoring equipment in the Delta. They have the possibility to clog pipes and impede water flow throughout California. The golden mussels are from China and Southeast Asia and were first identified outside their native range in South America in the 1990s. They probably got to California traveling by ship from an international port. The California Department of Fish and Wildlife has identified them as an urgent invasive species threat. The department is currently proposing a plan to be implemented at the state, regional and local levels which will require immediate action. State parks and boating facility operators are already required to put restrictions in place to deter the golden mussels.

10. **Breathtaking Waterfall:** What does Dunsmuir, California have that no one else does? Mossbrae Falls. A little over 200 miles north of Sacramento lies Dunsmuir, California. This city is home to one of the more breathtaking and

amazing waterfalls in the United States. From the glaciers on Mount Shasta slopes via lava tubes, mossy cliffs and the natural terrain, water empties into the Sacramento River. This spiritual picture, enhanced by mist and rainbows, attracts people from all around. The problem in seeing the falls is that all the surrounding property is private and there is no public access. Over 30,000 people view the magnificent falls every year, but they must hike in a mile and trespass over private property. They also have to cross an active railroad. The falls are considered sacred by surrounding native tribes and the current owner does not want to allow access due to their religious beliefs. The railroad also has concerns due to safety issues because a number of people has been killed on the track trying to see the falls. However, the city believes that progress is being made into allowing public access. Stay tuned.

11. **Delta Wetlands Restoration:** Staten Island, which is in the heart of the California Delta region, is owned by The Nature Conservancy. The island is approximately 200,000 acres in size, and it has deeply subsided. One end of the island is 10 feet below sea level and its southern end is even deeper. The Conservancy's goal is to stop the soil loss and greenhouse gas emission on the island and attempt to return it to its original state. Over 1/2 of the island's peat is gone and the losses are continuing. The average subsidence is 1 1/2 inches per year. One of the solutions to stop the subsidence is to get the soil wet again to contain the microbes. Four thousand acres of the island have been converted from corn to rice fields. When the fields are flooded, this stops the peat loss and the carbon emissions. Ducks Unlimited has been helping in the effort to conserve water birds and their habitats. The goal is to produce an appropriate mix of semi-permanent wetlands and seasonal wetlands. The project is in the planning stage and they hope to begin construction in mid-2026.

12. **Better Filters:** Three universities in England are attempting to produce a better filter by looking at how our own bodies clean our systems. Human kidneys use proteins called aquaporins to help cells keep salt in proper balance in our body. The process uses artificial channels filled with fluorine and other hydrocarbons which together create a greasy layer. The seawater or other contaminated water is run through the channels and the salt is extracted by osmosis. This is similar to how our kidneys keep our bodies in balance. This is another example of how water experts are trying to use natural processes like our body to keep our water clean.

WHITTINGHAM
PUBLIC AFFAIRS ADVISORS

May 7, 2025

TO: MWDOC Board of Directors

FROM: Peter Whittingham

SUBJECT: May 2025 Report

A variety of noteworthy events occurred in the month of April - following is a few of the more interesting developments and issues of the month:

- The Orange County Local Agency Formation Commission (OCLAFCO) named Luis Tapia as Interim Executive Officer in the wake of Carolyn Emery's retirement. Mr. Tapia has been part of OCLAFCO staff for the past ten years.

- The Anaheim Chamber of Commerce, which first opened its doors in 1895, had announced mid-April that it would be officially terminating its operations at the end of the month. However, a new interim President & CEO, along with new leadership of the Board of Directors, have been identified to enable the Chamber to continue its business advocacy in the city while discontinuing any political activity or fundraising. The changes come roughly three years after the Chamber's former CEO pleaded guilty to federal criminal charges.

- The Huntington Beach City Council voted unanimously to appoint chef and television personality Andrew Gruel to fill the Council vacancy created by the departure of Tony Strickland, who was elected to the state Senate in a special election on February 25.

- Public relations consultant Betty Martinez-Franco has been elected to the Irvine City Council to represent the 5th Council District, which had been vacant since Councilmember Larry Agran was elected Mayor last November. Councilmember-elect Martinez-Franco, who will be sworn-in May 13, bested two other candidates, including former Councilmember Anthony Kuo, who had served on Council from 2018-2022.

- The County of Orange has deferred for a year proposed increases to waste disposal rates at County landfills after cities and sanitary districts strongly opposed raising "tipping" fees by more than 92%. While hikes were initially set to

hit this year, city leaders and the county agreed to a new, one-year extension with just a 2.6% increase that would give them until June 2026 to work out a long-term plan. City councils across the county still have to approve that plan, with many expected to discuss it over the next few weeks.

- Conal McNamara, who had served as La Palma City Manager since April 2020, was selected to serve as the new City Manager in the City of Whittier. McNamara had been Community Development Director in Whittier prior to taking the La Palma post. In addition to La Palma, the cities of Orange and Placentia are also currently in the process of identifying and selecting a new City Manager.

- The Fullerton City Council voted 4-1 to switch from contracted ambulance services to an in-house program, beginning next spring. The Council also voted to spend up to $1,652,000 on new ambulances and roughly $535,000 on gurneys and other equipment for the program. City officials believe they will save hundreds of thousands of dollars annually; last year, City staff projected a $20 million deficit in 2027.

It is a pleasure to work with you and to represent the Municipal Water District of Orange County.

Sincerely,



Peter Whittingham

MWDOC Workshop

Prepared by SDA Government Relations
Wednesday, 04/30/2025

Priority: A. High

AB 259 (Rubio, Blanca, D) **Open meetings: local agencies: teleconferences.**

Calendar: *05/01/25 #48 A-THIRD READING FILE - ASSEMBLY BILLS*

Location: 04/22/2025 **-** Assembly THIRD READING

Summary: The Ralph M. Brown Act, requires, with specified exceptions, that all meetings of a legislative body, as defined, of a local agency be open and public and that all persons be permitted to attend and participate. Current law, until January 1, 2026, authorizes the legislative body of a local agency to use alternative teleconferencing if, during the teleconference meeting, at least a quorum of the members of the legislative body participates in person from a singular physical location clearly identified on the agenda that is open to the public and situated within the boundaries of the territory over which the local agency exercises jurisdiction, and the legislative body complies with prescribed requirements. Current law requires a member to satisfy specified requirements to participate in a meeting remotely pursuant to these alternative teleconferencing provisions, including that specified circumstances apply. Current law establishes limits on the number of meetings a member may participate in solely by teleconference from a remote location pursuant to these alternative teleconferencing provisions, including prohibiting such participation for more than 2 meetings per year if the legislative body regularly meets once per month or less. This bill would extend the alternative teleconferencing procedures until January 1, 2030. (Based on 04/21/2025 text)

Position	Priority
support	A. High

Notes -
Support - March 5th Workshop

AB 514 (Petrie-Norris, D) **Water: emergency water supplies.**

Location: 02/24/2025 **-** Assembly Water, Parks and Wildlife

Summary: Would declare that it is the established policy of the state to encourage, but not mandate, the development of emergency water supplies by both local and regional water suppliers, as defined, and to support their use during times of drought or unplanned service or supply disruption, as provided. (Based on 04/03/2025 text)

Position	Priority
Support	A. High

Support taken at April Workshop

AB 523 (Irwin, D) **Metropolitan water districts: proxy vote authorizations.**

Calendar: 04/30/25 A-LOCAL GOVERNMENT 1:30 p.m. - State Capitol, Room 447 CARRILLO, JUAN, Chair

Location: 02/24/2025 **-** Assembly Local Government

Summary: Under the Metropolitan Water District Act, the board of a metropolitan water district is required to consist of at least one representative from each member public agency, as prescribed. The act authorizes each member public agency to appoint additional representatives not exceeding one additional representative for each 5% of the assessed valuation of property taxable for district purposes within the entire district that is within the boundaries of that member public agency. This bill would authorize a representative of a member public agency that is entitled to designate or appoint only one representative to the board of directors to assign a proxy vote authorization to a representative of another member public agency to be exercised when the assigning representative is unable to attend a meeting or meetings of the board, as provided. The bill would require the proxy vote authorization to be memorialized by a written instrument, as specified, and would limit a proxy vote authorization's effectiveness to one week. The bill would prohibit a proxy vote authorization from authorizing the assumption of the assigning representative's officer position at the designated meeting and would prohibit a representative from assigning more than 6 proxy vote authorizations in a year. (Based on 04/22/2025 text)

Position	Priority
B. Watch	A. High

AB 532 (**Ransom, D**) **Water rate assistance program.**

Calendar: 04/30/25 A-UTILITIES AND ENERGY Upon adjournment of Communications and Conveyance Committee - State Capitol, Room 437 PETRIE-NORRIS, COTTIE, Chair

Location: 04/29/2025 **-** Assembly Utilities and Energy

Summary: Current law requires the Department of Community Services and Development to administer the Low Income Household Water Assistance Program in this state, and to receive and expend moneys appropriated and allocated to the state for purposes of that program, pursuant to the Federal Consolidated Appropriations Act, 2021. The Low Income Household Water Assistance Program was only operative until March 31, 2024. This bill would repeal the above-described requirements related to the Low Income Household Water Assistance Program. The bill would instead require, upon appropriation by the Legislature, the Department of Community Services and Development to establish and administer the California Low Income Household Water Assistance Program to provide water rate assistance to residential ratepayers of covered water systems, and urban retail water suppliers with a service area that is made up of at least 50% disadvantaged communities, as measured by population, as specified. (Based on 04/22/2025 text)

Position	Priority
B. Watch	A. High

AB 580 (**Wallis, R**) **Surface mining: Metropolitan Water District of Southern California.**

Location: 03/24/2025 **-** Assembly Water, Parks and Wildlife

Summary: The Surface Mining and Reclamation Act of 1975 prohibits a person, with exceptions, from conducting surface mining operations unless, among other things, a permit is obtained from, a specified reclamation plan is submitted to and approved by, and financial assurances for reclamation have been approved by, the lead agency for the operation of the surface mining operation. Current law authorizes the Metropolitan Water District of Southern California (MWD) to prepare a master reclamation plan, as provided, that identifies each individual surface mining operation in specified counties and satisfies all reclamation plan requirements for each individual surface mining site. Current law requires the State Mining and Geology Board to act as the lead agency for surface mining operations conducted by the MWD and authorizes the board to conduct an inspection of an individual surface mining operation once every 2 calendar years during a period when that individual surface mining operation is idle or the site has no mineral production. Current law requires the MWD to be the lead agency for any environmental review of the master reclamation plan. Existing law repeals the provisions authorizing the preparation and

approval of the master reclamation plan for the MWD on January 1, 2026. This bill would extend the operation of those provisions until January 1, 2051. (Based on 03/26/2025 text)

Position	Priority
support	A. High

Notes -
Support - March 5th Workshop

SB 31 (**McNerney, D**) **Water quality: recycled water.**

Calendar: 04/30/25 S-ENVIRONMENTAL QUALITY 9 a.m. - State Capitol, Room 113 BLAKESPEAR, CATHERINE, Chair

Location: 03/25/2025 **-** Senate Environmental Quality

Summary: The Water Recycling Law generally provides for the use of recycled water. Current law requires any person who, without regard to intent or negligence, causes or permits an unauthorized discharge of 50,000 gallons or more of recycled water in or on any waters of the state to immediately notify the appropriate regional water board. This bill would, for the purposes of the above provision, redefine “recycled water” and provide that water discharged from a decorative body of water during storm events is not to be considered an unauthorized discharge if recycled water was used to restore levels due to evaporation. (Based on 04/21/2025 text)

Position	Priority
B. Watch	A. High

Notes -
Sponsored by WateReuse

SB 72 (**Caballero, D**) **The California Water Plan: long-term supply targets.**

Location: 04/28/2025 **-** Senate APPR. SUSPENSE FILE

Summary: Current law requires the Department of Water Resources to update every 5 years the plan for the orderly and coordinated control, protection, conservation, development, and use of the water resources of the state, which is known as “The California Water Plan.” Current law requires the department to include a discussion of various strategies in the plan update, including, but not limited to, strategies relating to the development of new water storage facilities, water conservation, water recycling, desalination, conjunctive use, and water transfers, that may be pursued in order to meet the future needs of the state. Current law requires the department to establish an advisory committee to assist the department in updating the plan. This bill would revise and recast certain provisions regarding The California Water Plan to, among other things, require the department to expand the membership of the advisory committee to include, among others, tribes, labor, and environmental justice interests. The bill would require the department, as part of the 2033 update to the plan, to update the interim planning target for 2050, as provided. The bill would require the target to consider the identified and future water needs for all beneficial uses, including, but not limited to, urban uses, agricultural uses, tribal uses, and the environment, and ensure safe drinking water for all Californians, among other things. The bill would require the plan to include specified components, including a discussion of the estimated costs, benefits, and impacts of any project type or action that is recommended by the department within the plan that could help achieve the water supply targets. (Based on 04/10/2025 text)

Position	Priority
support	A. High

Notes -
Support position taken on 2/5

SB 350 (**Durazo, D**) **Water Rate Assistance Program.**

Calendar: ***05/05/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair***

Location: 04/21/2025 **-** Senate Appropriations

Summary: Would establish the Water Rate Assistance Program. As part of the program, the bill would establish the Water Rate Assistance Fund in the State Treasury, available upon appropriation by the Legislature, to provide water affordability assistance, for both residential water and wastewater services, to low-income residential ratepayers, as specified. The bill would require the State Water Resources Control Board to take various actions in administering the fund, including, among other things, tracking and managing revenue in the fund separately from all other revenue. The bill would require the state board, in consultation with relevant agencies and after a public hearing, to adopt guidelines for implementation of the program and to adopt an annual report to be posted on the state board's internet website identifying how the fund has performed, as specified. The bill would require the guidelines to include minimum requirements for eligible systems, including the ability to confirm eligibility for enrollment through a request for self-certification of eligibility under penalty of perjury. By expanding the crime of perjury, the bill would impose a state-mandated local program. The bill would require the state board to take various actions in administering the program, including, but not limited to, providing guidance, oversight, and funding for low-income rate assistance for residential ratepayers of eligible systems. The bill would authorize the Attorney General, at the request of the state board, to bring an action in state court to restrain the use of any method, act, or practice in violation of these provisions, except as provided. The bill would make the implementation of all of these provisions contingent upon an appropriation by the Legislature. (Based on 04/24/2025 text)

Position	Priority
B. Watch	A. High

SB 394 (**Allen, D**) **Water theft: fire hydrants.**

Calendar: ***05/01/25 #61 S-SENATE BILLS -THIRD READING FILE***

Location: 04/22/2025 **-** Senate THIRD READING

Summary: Current law authorizes a utility to bring a civil action for damages against any person who commits, authorizes, solicits, aids, abets, or attempts certain acts, including, diverting or causing to be diverted, utility services by any means whatsoever. Current law creates a rebuttable presumption that there is violation of these provisions if, on premises controlled by the customer or by the person using or receiving the direct benefit of utility service, certain actions occur, including that there is an instrument, apparatus, or device primarily designed to be used to obtain utility service without paying the full lawful charge for the utility. This bill would add to the list of acts for which a utility may bring a civil cause of action under these circumstances to include tampering with a fire hydrant, fire hydrant meter, or fire detector check, or diverting water, or causing water to be diverted, from a fire hydrant with knowledge of, or reason to believe, that the diversion or unauthorized connection existed at the time of use for nonfirefighting purposes or without authorization from the appropriate water system or fire department. (Based on 02/14/2025 text)

Position	Priority
support	A. High

Notes -
Support - March 5th Workshop

SB 496 (**Hurtado, D**) **Advanced Clean Fleets Regulation: appeals advisory committee: exemptions.**

Calendar: 05/05/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair

Location: 04/22/2025 **-** Senate Appropriations

Summary: The California Global Warming Solutions Act of 2006 establishes the State Air Resources Board as the state agency responsible for monitoring and regulating sources emitting greenhouse gases and requires the state board to adopt rules and regulations to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions from those sources. Pursuant to its authority, the state board has adopted the Advanced Clean Fleets Regulation, which imposes various requirements for transitioning local, state, and federal government fleets of medium- and heavy-duty trucks, other high-priority fleets of medium- and heavy-duty trucks, and drayage trucks to zero-emission vehicles. The Advanced Clean Fleets Regulation authorizes entities subject to the regulation to apply for exemptions from its requirements under certain circumstances. This bill would require the state board to establish the Advanced Clean Fleets Regulation Appeals Advisory Committee by an unspecified date for purposes of reviewing appeals of denied requests for exemptions from the requirements of the Advanced Clean Fleets Regulation. The bill would require the committee to include representatives of specified governmental and nongovernmental entities. The bill would require the committee to meet monthly and would require recordings of its meetings to be made publicly available on the state board's internet website. The bill would require the committee to consider, and make a recommendation on, an appeal of an exemption request denial no later than 60 days after the appeal is made. The bill would require specified information relating to the committee's consideration of an appeal to be made publicly available on the state board's internet website. (Based on 04/07/2025 text)

Position	Priority
support	A. High

Notes -
Proposed support - April agenda

Priority: B. Watch

AB 93 (**Papan, D**) **Water resources: demands: data centers.**

Calendar: 04/30/25 A-LOCAL GOVERNMENT 1:30 p.m. - State Capitol, Room 447 CARRILLO, JUAN, Chair

Location: 04/08/2025 **-** Assembly Local Government

Summary: Would require a person who owns or operates a data center, as defined, to provide, when applying to a city or a county for an initial business license, equivalent instrument, or permit, under penalty of perjury, on the application, an estimate of the expected water use. The bill would require a person who owns or operates a data center to provide, when applying to a city or county for a renewal of a business license, equivalent instrument, or permit, under penalty of perjury, on the application, a report of the annual water use. By expanding the crime of perjury, the bill would impose a state-mandated local program. The bill would require a city or county to require a data center operating within its jurisdiction, as a condition for obtaining or renewing a business license, to meet efficiency standards, as determined by the local jurisdiction, as provided. By imposing additional duties on cities and counties, the bill would impose a state-mandated local program. (Based on 04/10/2025 text)

Position	Priority
B. Watch	B. Watch

AB 269 (**Bennett, D**) **Dam Safety and Climate Resilience Local Assistance Program.**

Location: 02/10/2025 **-** Assembly Water, Parks and Wildlife

Summary: Current law provides for the regulation and supervision of dams and reservoirs by the state, and requires the Department of Water Resources, under the police power of the state, to supervise the construction, enlargement, alteration, repair, maintenance, operation, and removal of dams and reservoirs for the protection of life and property, as prescribed. Current law requires the department to, upon appropriation by the Legislature, develop and administer the Dam Safety and Climate Resilience

Local Assistance Program to provide state funding for repairs, rehabilitation, enhancements, and other dam safety projects at existing state jurisdictional dams and associated facilities that were in service prior to January 1, 2023, subject to prescribed criteria. This bill would include the removal of project facilities as additional projects eligible to receive funding under the program. (Based on 01/17/2025 text)

Position	Priority
B. Watch	B. Watch

AB 367 (**Bennett, D**) **Water: County of Ventura: fire suppression.**

Calendar: 04/30/25 A-UTILITIES AND ENERGY Upon adjournment of Communications and Conveyance Committee - State Capitol, Room 437 PETRIE-NORRIS, COTTIE, Chair

Location: 04/08/2025 **-** Assembly Utilities and Energy

Summary: Would, beginning July 1, 2027, require a water supplier that supplies water to more than 20 residential dwellings that is used for the suppression of fire in either a high or very high risk fire hazard severity zone, as provided, in the County of Ventura to have a backup energy source with sufficient power to provide power within 30 minutes of loss of power and operate wells and pumps servicing the high or very high risk hazard severity zone at a capacity equal to the average daily demand for the water supplier for at least 24 hours. The bill would require the Ventura County Fire Department to annually inspect facilities that provide water, as specified. The bill would require a water supplier to take various actions, including alerting the Ventura County Office of Emergency Services within 3 business days of becoming aware that its water delivery capacity has been reduced due to equipment failure or maintenance. The bill would require, if any fire damages and makes uninhabitable more than 10 residential dwellings within the service area of a water supplier, a report be made by the water supplier that services the dwellings where the fire occurred and the Ventura County Fire Department, as specified. By levying new requirements on the Ventura County Fire Department, this bill would create a state-mandated local program. (Based on 04/21/2025 text)

Position	Priority
B. Watch	B. Watch

AB 430 (**Alanis, R**) **State Water Resources Control Board: emergency regulations.**

Location: 02/18/2025 **-** Assembly Water, Parks and Wildlife

Summary: Current law provides that an emergency regulation adopted by the State Water Resources Control Board following a Governor’s proclamation of a state of emergency based on drought conditions, for which the board makes specified findings, may remain in effect for up to one year, as provided, and may be renewed if the board determines that specified conditions relating to precipitation are still in effect. This bill would require the board, within 180 days of the 2nd renewal, and any subsequent and consecutive renewal, of any nonfee emergency regulation or upon its repeal, to conduct a comprehensive economic study assessing the impacts of the regulation, as specified. The bill would require the board to make the study publicly available on its internet website no later than 30 days after completion. (Based on 04/21/2025 text)

Position	Priority
B. Watch	B. Watch

AB 591 (**Caloza, D**) **Emergency services: mutual aid: public works.**

Location: 04/29/2025 **-** Assembly Appropriations

Summary: The California Emergency Services Act establishes the Office of Emergency Services within the Governor’s office under the supervision of the Director of Emergency Services and makes the office responsible for the state’s emergency and disaster response services. The office serves as the State Disaster Council for the purposes of the California Disaster and Civil Defense Master Mutual Aid

Agreement. Current law states it is the purpose of the Legislature to facilitate the rendering of aid to areas stricken by an emergency and to make unnecessary the execution of written agreements customarily entered into by public agencies exercising joint powers, and that emergency plans duly adopted and approved as provided by the Governor shall be effective as satisfying the requirement for mutual aid operational plans provided in the Master Mutual Aid Agreement. Current law requires outside aid be rendered in accordance with approved emergency plans during any state of war emergency or state of emergency when the need arises in any county, city and county, or city. This bill would additionally state that it is the purpose of the Legislature to facilitate the rendering of public works resources critical for disaster response and recovery to areas stricken by an emergency. The bill would require that outside aid rendered during any state of war emergency or state of emergency includes public works personnel, equipment, and materials. (Based on 02/12/2025 text)

Position	Priority
B. Watch	B. Watch

AB 615 (**Davies, R**) **Power facilities: emergency response and action plans.**

Calendar: 04/30/25 A-UTILITIES AND ENERGY Upon adjournment of Communications and Conveyance Committee - State Capitol, Room 437 PETRIE-NORRIS, COTTIE, Chair

Location: 04/08/2025 **-** Assembly Utilities and Energy

Summary: Current law requires an application to be filed with the State Energy Resources Conservation and Development Commission for certification of a site and related facility which includes an electric transmission line or thermal powerplant, or both. Current law requires the application to contain, among other things, safety and reliability information, including planned provisions for emergency operations and shutdowns, as specified. Current law authorizes a person proposing an energy storage system to file an application for certification with the commission in lieu of any permit, certificate, or similar document required by any state, local, or regional agency, or federal agency, as provided. This bill would require that those applications also contain emergency response and action plans, to be paid for by the applicant, that incorporate impacts to the surrounding areas in the event of an emergency and that would be conducted and coordinated with local emergency management agencies, unified program agencies, and local first response agencies. (Based on 04/22/2025 text)

Position	Priority
B. Watch	B. Watch

AB 794 (**Gabriel, D**) **California Safe Drinking Water Act: emergency regulations.**

Location: 04/23/2025 **-** Assembly APPR. SUSPENSE FILE

Summary: The California Safe Drinking Water Act (state act) requires the State Water Resources Control Board to administer provisions relating to the regulation of drinking water to protect public health. The state board's duties include, but are not limited to, enforcing the federal Safe Drinking Water Act (federal act) and adopting and enforcing regulations. Current law authorizes the state board to adopt as an emergency regulation, a regulation that is not more stringent than, and is not materially different in substance and effect than, the requirements of a regulation promulgated under the federal act, with a specified exception. This bill would provide that the authority of the state board to adopt an emergency regulation pursuant to these provisions includes the authority to adopt requirements of a specified federal regulation that was in effect on January 19, 2025, regardless of whether the requirements were repealed or amended to be less stringent. The bill would prohibit an emergency regulation adopted pursuant to these provisions from implementing less stringent drinking water standards, as provided, and would authorize the regulation to include monitoring requirements that are more stringent than the requirements of the federal regulation. The bill would prohibit maximum contaminant levels and compliance dates for maximum contaminant levels adopted as part of an emergency regulation from being more stringent than the maximum contaminant levels and compliance dates of a regulation promulgated pursuant to the federal act. (Based on 04/10/2025 text)

Position	Priority
B. Watch	B. Watch

AB 810 (**Irwin, D**) **Local government: internet websites and email addresses.**

Location: 04/23/2025 **-** Assembly Appropriations

Summary: Current law requires that a local agency that maintains an internet website for use by the public to ensure that the internet website uses a ".gov" top-level domain or a ".ca.gov" second-level domain no later than January 1, 2029. Current law requires that a local agency that maintains public email addresses to ensure that each email address provided to its employees uses a ".gov" domain name or a ".ca.gov" domain name no later than January 1, 2029. Current law defines "local agency" for these purposes as a city, county, or city and county. This bill would recast these provisions by instead requiring a city, county, or city and county to comply with the above-described domain requirements and by deleting the term "local agency" from the above-described provisions. The bill would also require a special district, joint powers authority, or other political subdivision to comply with similar domain requirements no later than January 1, 2031. (Based on 04/10/2025 text)

Position	Priority
B. Watch	B. Watch

AB 1413 (**Papan, D**) **Sustainable Groundwater Management Act: groundwater adjudication.**

Location: 04/29/2025 **-** Assembly Appropriations

Summary: The Sustainable Groundwater Management Act requires all groundwater basins designated as high- or medium-priority basins by the Department of Water Resources to be managed under a groundwater sustainability plan or coordinated groundwater sustainability plans, except as specified. Current law requires the department to periodically review the groundwater sustainability plans developed by groundwater sustainability agencies pursuant to the act to evaluate whether a plan conforms with specified laws and is likely to achieve the sustainability goal for the basin covered by the plan. Existing law authorizes a groundwater sustainability agency that adopts a groundwater sustainability plan to file a court action to determine the validity of the plan no sooner than 180 days following the adoption of the plan, as provided. This bill would instead authorize groundwater sustainability agencies to file those actions within 180 days following the adoption of the plan. (Based on 04/10/2025 text)

Position	Priority
B. Watch	B. Watch

SB 90 (**Seyarto, R**) **Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024: grants: improvements to public evacuation routes: mobile rigid water storage: electrical generators.**

Calendar: 05/05/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair

Location: 04/22/2025 **-** Senate Appropriations

Summary: The Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, approved by the voters as Proposition 4 at the November 5, 2024, statewide general election, authorized the issuance of bonds in the amount of $10,000,000,000 pursuant to the State General Obligation Bond Law to finance projects for safe drinking water, drought, flood, and water resilience, wildfire and forest resilience, coastal resilience, extreme heat mitigation, biodiversity and nature-based climate solutions, climate-smart, sustainable, and resilient farms, ranches, and working lands, park creation and outdoor access, and clean air programs. The act makes $135,000,000 available, upon appropriation by the Legislature, to the Office of Emergency Services for a wildfire mitigation grant program to provide, among other things, loans, direct assistance, and matching funds for projects that prevent wildfires, increase resilience, maintain existing wildfire risk reduction projects, reduce the risk of

wildfires to communities, or increase home or community hardening. The act provides that eligible projects include, but are not limited to, grants to local agencies, state agencies, joint powers authorities, tribes, resource conservation districts, fire safe councils, and nonprofit organizations for structure hardening of critical community infrastructure, wildfire smoke mitigation, evacuation centers, including community clean air centers, structure hardening projects that reduce the risk of wildfire for entire neighborhoods and communities, water delivery system improvements for fire suppression purposes for communities in very high or high fire hazard areas, wildfire buffers, and incentives to remove structures that significantly increase hazard risk. This bill would include in the list of eligible projects grants to the above-mentioned entities for improvements to public evacuation routes in very high and high fire hazard severity zones, mobile rigid dip tanks, as defined, to support firefighting efforts, prepositioned mobile rigid water storage, as defined, and improvements to the response and effectiveness of fire engines and helicopters. (Based on 03/12/2025 text)

Position	Priority
B. Watch	B. Watch

SB 224 (**Hurtado, D**) **Department of Water Resources: water supply forecasting.**

Location: 04/07/2025 **-** Senate APPR. SUSPENSE FILE

Summary: Current law requires the Department of Water Resources to gather and correlate information and data pertinent to an annual forecast of seasonal water crop. Current law also requires the department to update every 5 years the plan for the orderly and coordinated control, protection, conservation, development, and use of the water resources of the state, which is known as “The California Water Plan.” This bill would require the department, on or before January 1, 2027, to adopt a new water supply forecasting model and procedures that better address the effects of climate change and implement a formal policy and procedures for documenting the department’s operational plans and the department’s rationale for its operating procedures, including the department’s rationale for water releases from reservoirs. The bill would also require the department to establish, and publish on the department’s internet website, the specific criteria that it will employ to determine when its updated water supply forecasting model has demonstrated sufficient predictive capability to be ready for use in each of the watersheds. The bill would require the department, on or before January 1, 2028, and annually thereafter, to prepare and submit to the Legislature a report on its progress toward implementing the new forecasting model and to post the report on the department’s internet website. The bill would also require the department, on or before January 1, 2028, and annually thereafter, to prepare and submit to the Legislature a report that explains the rationale for the department’s operating procedures specific to the previous water year. (Based on 03/26/2025 text)

Position	Priority
B. Watch	B. Watch

SB 239 (**Arreguín, D**) **Open meetings: teleconferencing: subsidiary body.**

Calendar: 05/06/25 S-JUDICIARY 1:30 p.m. - 1021 O Street, Room 2100 UMBERG, THOMAS, Chair

Location: 04/03/2025 **-** Senate Judiciary

Summary: The Ralph M. Brown Act requires, with specified exceptions, that all meetings of a legislative body, as defined, of a local agency be open and public and that all persons be permitted to attend and participate. The act generally requires for teleconferencing that the legislative body of a local agency that elects to use teleconferencing post agendas at all teleconference locations, identify each teleconference location in the notice and agenda of the meeting or proceeding, and have each teleconference location be accessible to the public. Current law also requires that, during the teleconference, at least a quorum of the members of the legislative body participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as specified. Current law, until January 1, 2026, authorizes specified neighborhood city councils to use alternate teleconferencing provisions related to notice, agenda, and public participation, as prescribed, if, among other requirements, the city council has

adopted an authorizing resolution and 2/3 of the neighborhood city council votes to use alternate teleconference provisions, as specified This bill would authorize a subsidiary body, as defined, to use alternative teleconferencing provisions and would impose requirements for notice, agenda, and public participation, as prescribed. The bill would require the subsidiary body to post the agenda at each physical meeting location designated by the subsidiary body, as specified. The bill would require the members of the subsidiary body to visibly appear on camera during the open portion of a meeting that is publicly accessible via the internet or other online platform, as specified. (Based on 04/07/2025 text)

Position	Priority
B. Watch	B. Watch

SB 601 (**Allen, D**) **Water: waste discharge.**

Location: 04/02/2025 **-** Senate Judiciary

Summary: Under current law, the State Water Resources Control Board and the 9 California regional water quality control boards regulate water quality and prescribe waste discharge requirements in accordance with the Porter-Cologne Water Quality Control Act (act) and the National Pollutant Discharge Elimination System (NPDES) permit program. Current law requires, when applying to a city or a county for an initial business license, equivalent instrument, or permit, or renewal thereof, a person who conducts a business operation that is a regulated industry, as defined, to demonstrate enrollment with the NPDES permit program by providing specified information, under penalty of perjury, on the application. Current law includes in this specified information, among other things, the Standard Industrial Classification Codes for the business, and a Waste Discharger Identification number (WDID), as specified. This bill would revise the above-described requirement to demonstrate enrollment with NPDES to instead require demonstrating enrollment with NPDES or the Waste Discharge Requirements (WDR) permit programs by providing the specified information. The bill would require, when applying to a city or a county for a building or construction permit, a person who conducts a business operation that is a regulated industry and seeks permission for construction activities over one acre to demonstrate enrollment with the NPDES or WDR permit programs by providing specified information under penalty of perjury on the initial building or construction permit application, or renewal thereof. (Based on 04/21/2025 text)

Position	Priority
B. Watch	B. Watch

SB 614 (**Stern, D**) **Carbon dioxide transport.**

Calendar: 04/30/25 S-ENVIRONMENTAL QUALITY 9 a.m. - State Capitol, Room 113 BLAKESPEAR, CATHERINE, Chair

Location: 04/22/2025 **-** Senate Environmental Quality

Summary: Under the Elder California Pipeline Safety Act of 1981, the State Fire Marshal exercises safety regulatory jurisdiction over intrastate pipelines used for the transportation of hazardous or highly volatile liquid substances. The act imposes various requirements in relation to the regulation of these intrastate pipelines. A person who willfully and knowingly violates the act or a regulation adopted pursuant to the act is, upon conviction, subject to a fine, imprisonment, or both a fine and imprisonment, as provided. This bill would expand the regulation of intrastate pipelines under the act to intrastate pipelines used for the transportation of carbon dioxide by revising the definition of “pipeline” for purposes of the act to also include intrastate pipelines used for the transportation of carbon dioxide. The bill would require the State Fire Marshal, by April 1, 2026, to adopt regulations to regulate the transportation of carbon dioxide by a pipeline, with safety standards that, at a minimum, meet the standards proposed by certain draft federal regulations proposed by the federal Pipeline and Hazardous Materials Safety Administration. The bill would require the regulations to require a project applicant to demonstrate that the transportation of carbon dioxide in a pipeline complies with certain state laws. The bill would authorize the State Fire Marshal to require additional safety standards, as specified. (Based on 04/23/2025 text)

Position	Priority
B. Watch	B. Watch

SB 742 (**Pérez, D**) **Water systems and water districts.**

Location: 02/21/2025 **-** Senate Rules

Summary: The California Water District Law provides for the establishment of water districts, and grants a district the power to acquire, plan, construct, maintain, improve, operate, and keep in repair the necessary works for the production, storage, transmission, and distribution of water for irrigation, domestic, industrial, and municipal purposes. This bill would state the intent of the Legislature to enact subsequent legislation related to the regulation of water systems and water districts. (Based on 02/21/2025 text)

Position	Priority
B. Watch	B. Watch

Priority: spot bill

AB 497 (**Wilson, D**) **San Francisco Bay/Sacramento-San Joaquin Delta Estuary Water Quality Control Plan.**

Location: 02/10/2025 **-** Assembly PRINT

Summary: Current law makes available to the Natural Resources Agency bond funds for, among other things, implementing an updated State Water Resources Control Board's San Francisco Bay/Sacramento-San Joaquin Delta Estuary Water Quality Control Plan (Bay-Delta Water Quality Control Plan), which establishes water quality control measures and flow requirements needed to provide reasonable protection of beneficial uses in the watershed. This bill would state the intent of the Legislature to enact future legislation relating to the Bay-Delta Water Quality Control Plan. (Based on 02/10/2025 text)

Position	Priority
B. Watch	spot bill

AB 1146 (**Papan, D**) **Water infrastructure: dams and reservoirs: water release: false pretenses.**

Location: 03/17/2025 **-** Assembly Water, Parks and Wildlife

Summary: Would prohibit the release of stored water from a reservoir in this state if the release is done under false pretenses, which the bill would define to mean a release of water from a reservoir in a manner that is knowingly and designedly under any false or fraudulent representation or assumption as to the purpose and intended use of the water. The bill would authorize the State Water Resources Control Board to issue an interim relief order, as specified, to a reservoir operator to prohibit the release of stored water in violation of the above-described prohibition. The bill would authorize the board to commence an interim relief proceeding on its own motion or upon the petition of an interested party, and would specify information required to be included in the petition. The bill would provide any person who violates these provisions would be guilty of a misdemeanor, punishable by a fine or imprisonment in the county jail, or both. By expanding the scope of a crime, this bill would impose a state-mandated local program. (Based on 03/17/2025 text)

Position	Priority
B. Watch	spot bill

Total Measures: 27
Total Tracking Forms: 27

Metropolitan Water District of Southern California
State Legislative Matrix: First Year of Legislative Session
April 7, 2025

Bill Number and Author	Amended Date and Location	Title – Summary	MWD Position	Effects on Metropolitan
AB 259 **B. Rubio** **(D – West Covina)** Sponsors: California Special Districts Association, Three Valleys Municipal Water District	Introduced Assembly Local Government Committee	**Open meetings: local agencies: teleconferences.** This bill eliminates the sunset on provisions added to the Brown Act by AB 2449, a bill that provided additional flexibility with Brown Act meeting procedures in the event of a board member's physical absence in connection with a "just cause" or "emergency circumstances," allowing those members to participate in the meeting remotely consistent with the process detailed in the bill.	**Support** Based on Board Action from April 2021	By removing the sunset on the Brown Act provisions, AB 259 preserves flexibility for Metropolitan and Member Agency board members to meet remotely and continue providing the public with essential services.
AB 532 **R. Ransom** **(D – Stockton)** Sponsor: California Municipal Utilities Association	Introduced Assembly Environmental Safety and Toxic Materials Committee	**Water rate assistance program** This bill seeks to revamp the State's Low Income Household Water Assistance Program (LIHWAP), upon appropriation by the Legislature, to provide water rate assistance to ratepayers of water systems with under 3,000 connections, or systems serving disadvantaged communities. The bill also would expressly allow urban retail water suppliers to establish a local low-income rate assistance (LIRA) program using voluntary contributions or other non-ratepayer funds.	**Support** Based on 2025 Legislative Policies and Principles, adopted December 2024	This bill would provide clarity in existing law to ensure that water agencies are able to establish local LIRA programs without fear of legal consequences given the provisions of Prop 218. The bill would also establish a path to revamp the LIHWAP program to ensure statewide resources are provided for small and disadvantaged communities.

Metropolitan Water District of Southern California
State Legislative Matrix: First Year of Legislative Session
April 7, 2025

Bill Number and Author	Amended Date and Location	Title – Summary	MWD Position	Effects on Metropolitan
AB 580 **G. Wallis** **(R – Rancho Mirage)** Sponsor: Metropolitan Water District of Southern California	Amended in Assembly Natural Resources Committee on 3/24/2025. Passed out of committee and referred to Assembly Water, Parks, and Wildlife Committee.	**Surface Mining: Metropolitan Water District of Southern California** This bill removes the sunset date on Metropolitan's ability to operate under a single Master Reclamation Plan for repairs using earth-moving activities under the Surface Mining and Reclamation Act for the maintenance of the Colorado River Aqueduct.	**Sponsor** Based on December 2024 Board Action	Ensuring Metropolitan can continue operating under a single Master Reclamation Plan will maintain environmental oversight without delays and prevent duplicative compliance.

Metropolitan Water District of Southern California
State Legislative Matrix: First Year of Legislative Session
April 7, 2025

Bill Number and Author	Amended Date and Location	Title – Summary	MWD Position	Effects on Metropolitan
AB 794 **J. Gabriel** **(D – Encino)** **Sponsors:** Clean Water Action, Environmental Working Group	Introduced Assembly Environmental Safety and Toxic Materials Committee	**California Safe Drinking Water Act: emergency regulations** This bill would authorize the State Water Resources Control Board (SWRCB) to adopt an emergency regulation for water quality based on federal regulations in effect on January 19, 2025, regardless of whether the requirements were repealed or amended to be less stringent. The bill would prohibit an emergency regulation adopted pursuant to these provisions from implementing less stringent drinking water standards, as provided, and would authorize the regulation to include requirements that are more stringent than the requirements of the federal regulation. The bill would require, on or before January 1, 2026, the SWRCB to adopt an emergency regulation and to initiate a primary drinking water standard for perfluoroalkyl and polyfluoroalkyl substances or PFAS.	**Oppose unless Amended** Based on 2025 Legislative Policies and Principles, adopted December 2024	While AB 794 aims to protect public health, its approach circumvents the established regulatory process for setting Maximum Contaminant Levels (MCLs). Metropolitan's Legislative Priorities and Principals call for using the best available science to protect public health and improve water quality when setting MCLs. The broad scope of this bill, which would allow the SWRCB to set through emergency action primary and secondary MCLs for any chemical with a federal MCL, sets a dangerous precedent and fails to align with well-established regulatory principles.
SB 31 **J. McNerney** **(D – Stockton)** **Sponsor:** WateReuse California	Amended 2/10/2025. Senate Natural Resources and Water Committee	**Water quality: recycled water** SB 31 aims to enhance California's water sustainability by increasing the use of recycled water in non-potable applications. This bill modernizes outdated regulations and expands the permissible uses of recycled water to reduce dependence on potable sources. The bill would make updates to Title 22 of the Code of Regulations to expand the use of recycled water in parks, schools, and food handling and processing facilities.	**Support** Based on 2025 Legislative Policies and Principles, adopted December 2024	Supporting the use of recycled water in non-potable applications such as irrigation, decorative water features, and industrial processes reduces the demand for potable water while enhancing drought resilience.

Metropolitan Water District of Southern California
State Legislative Matrix: First Year of Legislative Session
April 7, 2025

Bill Number and Author	Amended Date and Location	Title – Summary	MWD Position	Effects on Metropolitan
SB 72 **A. Caballero** **(D – Fresno)** **Sponsor:** California Municipal Utilities Association	Amended 3/18/2025. Senate Natural Resources and Water Committee	**The California Water Plan: long-term supply targets** This measure would revise the California Water Plan to require the Department of Water Resources to update the California Water Plan by December 31, 2028, and every five years after, to include a long-term water supply target for 2050 and discussion on the development of specified water supply sources to meet demand.	**Support** Based on 2025 Legislative Policies and Principles, adopted December 2024	The intent of this bill is to help modernize California's water management practices and provide long-term reliable supplies in response to the current climate challenges. Metropolitan supported a similar version of this bill in 2024, SB 366 (Caballero), which passed the Legislature and was vetoed by the Governor.
SB 394 **B. Allen** **(D – Santa Monica)** **Sponsor:** Las Virgenes Municipal Water District	Introduced Senate Judiciary Committee	**Water theft: fire hydrants** SB 394 would allow a local agency that provides water service the ability to increase fines and penalties for water theft from fire hydrants. The bill also adds tampering with a fire hydrant, fire hydrant meter, or fire detector check, or the unauthorized diversion of water from a fire hydrant to the list of acts for which a utility may bring a civil cause of action.	**Support** Based on 2025 Legislative Policies and Principles, adopted December 2024	Metropolitan Member Agencies and subagencies that provide local water services could adopt ordinances with enhanced penalties for water theft from a fire hydrant.
SB 454 **J. McNerney** **(D – Stockton)** **Sponsor:** Association of California Water Agencies	Introduced Senate Environmental Quality Committee	**State Water Resources Control Board: PFAS Mitigation Program** SB 454 would establish a PFAS Mitigation Fund to address PFAS contamination in California's drinking water and wastewater systems. Administered by the SWRCB, the fund will provide financial support through grants, loans, and contracts to water suppliers and wastewater operators to cover or reduce treatment and disposal costs, ensuring safe and clean water across the state with a focus on disadvantaged communities.	**Support** Based on 2025 Legislative Policies and Principles, adopted December 2024	The proposed bill would be highly beneficial to Metropolitan, its Member Agencies, and other water and wastewater agencies currently grappling with increased PFAS-related regulations and source contamination issues. By allowing for grants, loans, and contracts through the PFAS Mitigation Fund, and the provision of assistance services, the bill provides much-needed financial relief and assistance to support treatment and mitigation efforts.

Metropolitan Water District of Southern California
State Legislative Matrix: First Year of Legislative Session
April 7, 2025

Bill Number and Author	Amended Date and Location	Title – Summary	MWD Position	Effects on Metropolitan
SB 601 **B. Allen** **(D – Santa Monica)** **Sponsors:** California Coastkeeper Alliance, Defenders of Wildlife	Introduced Senate Environmental Quality Committee	**Water: waste discharge** The intent of this bill is to restore Clean Water Act protections in California that were removed per the U.S. Supreme Court's 2023 Sackett v. Environmental Protection Agency decision. However, the bill goes far beyond restoring pre-Sackett water body designations and would lead to a significant expansion of the state's regulatory authority, exposing agencies to increased compliance, costs, and litigation.	**Oppose** Based on 2025 Legislative Policies and Principles, adopted December 2024	Currently, AB 601 poses risks to Metropolitan and its member agencies by: adopting EPA's drinking water standards for PFAS/PFOS, bypassing the state rulemaking process; increasing costs of waste discharge requirements and permits for discharges of water when dewatering or operating water supply infrastructure, potentially requiring all such water to be recycled regardless of cost to comply; exposing Metropolitan and its Member Agencies to citizen suits in state court, and, for certain nexus waters, both state and federal court; and creating uncertainty in discharge permitting as the bill's ambiguous provisions and implications are likely to be litigated.

Item No. 4

ACTION ITEM
May 7, 2025

TO: Board of Directors

FROM: Harvey De La Torre
General Manager

Staff Contact: Heather Baez

SUBJECT: SB 601 (ALLEN) – WATER: WASTE DISCHARGE

STAFF RECOMMENDATION

Staff recommends the Board of Directors vote to adopt an Oppose position on Senate Bill 601 (Allen).

BILL SUMMARY

SB 601 would:

- Require dischargers to demonstrate enrollment with the National Pollutant Discharge Elimination System (NPDES) or the Waste Discharge Requirements (WDR) permit programs when applying for local permits.
- Maintain stringency in drinking water and water quality standards.
- Defines "nexus waters" and enacts the requirements of the federal Clean Water Act for "nexus waters".
- Expand enforcement authority for the State Water Board and enact citizen enforcement for "nexus waters".

NEED FOR THIS PROPOSAL

According to the author, "Water is a precious resource in our state, and essential for our communities to drink, grow food, safely bathe and swim in, as well as to support healthy ecosystems and the environment. Through a robust permitting process implemented by the state, the federal Clean Water Act has regulated if, how, and when industrial, municipal, or other business facilities could discharge pollutants into our "Waters of the United States", or

Budgeted: ☐ Yes ☐ No	Budgeted amount: N/A	Core: ☒	Choice: ☐
Action item amount: N/A	Movement between funds: ☐ Yes ☐ No		

"WOTUS" for decades. These protections were abruptly changed in May 2023, when the US Supreme Court ruling in *Sackett v EPA* significantly narrowed which waters fell under the "WOTUS" definition, undermining and rolling back these pollution protection measures for many of our streams and wetlands. SB 601 will roll back the clock to before the Sackett v. EPA decision to maintain the protections these waters had enjoyed for decades by enshrining a new framework into state law for the previously federally protected waters and empowering the State Water Resources Control Board with tools to efficiently implement and enforce this framework.

SB 601 will also help future-proof our drinking water standards by having the Water Board quickly adopt the standards that were in place prior to the current federal administration, providing protections against uncertainty or possible retreating federal policy."

ARGUMENTS IN SUPPORT

SB 601 would resuscitate 50 years of federal protections by codifying them in state law to ensure California's clean water protections do not go backwards. This measure would provide California with the same Clean Water Act tools it had before Trump and *Sackett*, while assisting the resource-constrained California Water Boards. SB 601 would ensure that clean water protections remain at least as protective as they were prior to the *Sackett* decision, while disincentivizing "permit shopping" and allowing the California Water Boards to essentially create state-analogous Clean Water Act permits.

SB 601 is co-sponsored by the California Coastkeeper Alliance and Defenders of Wildlife.

ARGUMENTS IN OPPOSITION

The following is a high-level survey of the concerns with SB 601 that have been shared with ACWA staff by their members. It is not meant to be comprehensive and is not in order of importance.

"Nexus" Waters Definition

The primary focus of SB 601 is amendments to Porter-Cologne to address the WOTUS gap created by the Sackett decision. In essence, SB 601 establishes a new category of waters in Porter-Cologne called "nexus waters." This new category is defined as any water of the state, unless specifically exempted in statute. Waters of the state that are excluded from the new definition include, in part, the following:

- Groundwater
- Waste treatment systems, including treatment ponds or lagoons
- Prior converted cropland designated by the Secretary of Agriculture
- Ditches, including roadside ditches, excavated while in and draining only dry land and that do not carry a relatively permanent flow of water

- Artificially irrigated areas that would revert to dry land if irrigation ceased

- Artificial lakes or ponds created by excavating or diking dry land to collect and retain water and that are used exclusively for purposes such as stock watering, irrigation, settling basins, or rice growing.

The exceptions above do not include agricultural drainage ditches, agricultural irrigation supply canals or ditches, artificial wetlands developed for groundwater recharge or other purposes, and other waters of the State specifically excluded by the State Water Board in the State Policy for Water Quality Control: State Wetland Definition and Procedures for Discharges of Dredged or Fill Material to Waters to Waters of the State. "Nexus waters" as defined in this bill goes beyond the waters previously protected under federal authority prior to the U.S. Supreme Court's *Sackett* decision.

New Primary Drinking Water Standard

SB 601 would require the State Water Board's Division of Drinking Water to adopt a primary drinking water standard that is at least as stringent as that adopted and in effect by U.S. EPA on January 19, 2025 no later than June 30, 2028; however, if they are not materially different than the federal primary drinking water standard, then the State Water Board may adopt the primary drinking water standard via emergency regulation.

This is likely in preparation for a potential rollback of the federally adopted primary drinking water standards for PFOA and PFOS. The State Water Board's Division of Drinking Water has set adoption of such drinking water standards as a priority; however, it takes several years for the State to adopt primary drinking water standards, which may be more stringent than those adopted by the U.S. EPA. To date, the Legislature has been focused on source control legislation for PFAS constituents; SB 601 would take a different approach.

Basin Plans are the State's primary water quality control planning documents for protecting the quality and beneficial uses of the State's surface and groundwaters. In eight of the nine regions, Basin Plans provide that upon adoption, drinking water standards automatically become water quality objectives applicable to surface and groundwaters designated as having a Municipal and Domestic Supply (MUN) beneficial use. The potential impact of PFOS and PFOA drinking water standards becoming water quality objectives that must be met by imposition of WDRs and NPDES permit conditions is significant and unknown.

Importantly, this section would expand the State Water Board's emergency regulatory authority to develop all drinking water standards - not just PFAS. AB 1531 (Chapter 673, Statutes of 2015) added Health and Safety Code Section 116365.03, which gave the State Water Board the authority to adopt emergency regulations but expressly excepted the authority to adopt by emergency regulation "a regulation that establishes maximum contaminant levels for primary and secondary drinking water standards." As written, this bill would allow the State Water Board to develop emergency regulations for <u>any</u> federal regulation that was in effect on January 19, 2025, regardless of whether the requirements were repealed or amended.

The language in SB 601 directing the State Water Board to develop a new primary drinking water standard closely resembles that of AB 794 (Gabriel), however that language has since been removed from the bill.

Private Right of Action

A private right of action is a legal tool often found in federal and state laws that grants an individual or private party the authority to file a civil lawsuit against another party or a business for alleged harm. It outsources enforcement actions to private lawyers rather than state attorneys general or agency officials, turning plaintiffs' lawyers into unofficial enforcers of the law. There is currently no private right of action under Porter-Cologne.

Section 8 of the bill would add Section 13366 to the Water Code, which would allow an action to be brought in superior court by a person applicable to the newly defined "nexus waters" or other waste discharge requirements applicable to "nexus waters." This provision would, for the first time, allow citizen lawsuits on state Waste Discharge Requirements that go beyond federal requirements. The actual scope of the proposed private right of action provision is unclear, but it could be quite broad. Nexus waters is defined broadly as "all waters of the state," with some exceptions.

The U.S. Supreme Court decision in *City and County of San Francisco vs. Environmental Protection Agency* further complicates this issue. The ruling, summarize above, further limited the coverage of NPDES permitting – slack that could be taken up by the State Water Board. The practical effect of that ruling, paired with SB 601 as currently written, would be to greatly expand the universe of liability for utilities and other local governments who interface with water quality permitting.

Consideration of Impacts to the Economy, Housing, and Recycled Water

Existing law (Water Code Section 13241) compels regional boards, when establishing water quality objectives, to consider certain factors, including economic considerations, the need for developing housing within the region, and the need to develop and use recycled water. Section 9 of SB 601 would remove this requirement. This would be out of step with the State's focus on quickly building more housing and diversifying water supplies.

Expansion of Local Government Licensing Procedures

Sections 1 and 2 of the bill would require, when applying to a city or a county for a building or construction permit, a person who conducts a business operation that is a regulated industry and seeks permission for construction activities over one acre to demonstrate enrollment with the NPDES or WDR permit programs. These sections also require that, before issuing a building or construction permit, a city confirm that the applicant has a valid Waste Discharger Identification (WDID) number. This would be an increased cost and administrative burden on local government. It could also slow the approval of construction projects, as applicants may not have a WDID at the time they would normally submit a building application.

Impaired Waters

Under the section 303(d) of the CWA, States must review, make necessary changes, and submit a list of waters not meeting water quality standards to the U.S.EPA. Under SB 601, the state and regional boards would be required to determine if all waters of the State, both WOTUS and "nexus waters", are impaired pursuant to section 303(d) of the CWA. In other words, these waters would need to be included on the 303(d) list of impaired waters and may be subject to adoption of TMDLs.

SB 601 seeks to close the regulatory gap created by the U.S. Supreme Court's *Sackett* ruling by codifying protections in state law for waters previously protected before the ruling. The bill would go far beyond simply returning to the status quo before the Sackett decision and would create an untenable regulatory and legal environment for water agencies and others. Though the issue is politically fraught, the bill poses unacceptable challenges for water suppliers, and it is unclear what amendments could address those concerns.

ALIGNMENT WITH BOARD STRATEGIC PRIORITIES

- ☒ *Clarifying MWDOC's mission and role; defining functions and actions.*
- ☐ *Balance support for Metropolitan's regional mission and Orange County values and interests.*
- ☐ *Strengthen communications and coordination of messaging.*
- ☐ *Work with member agencies to develop water supply and demand objectives.*
- ☐ *Solicit input and feedback from member agencies.*
- ☐ *Invest in workforce development and succession planning.*

BOARD OPTIONS

Option #1: Adopt an Oppose position on Senate Bill 601 (Allen). .

Fiscal Impact: None

Option #2: Take no action
Fiscal Impact: None

List of Attachments/Links:
Attachment 1: SB 601 Full Text

AMENDED IN SENATE APRIL 21, 2025

AMENDED IN SENATE APRIL 8, 2025

SENATE BILL No. 601

Introduced by Senator Allen
(Coauthor: Senator Gonzalez)
(Coauthors: Assembly Members Connolly, Kalra, and Rogers)

February 20, 2025

An act to amend Sections 16000.3 and 16100.3 of the Business and Professions Code, and to amend Sections 13170, 13263, 13350, 13370, 13372, 13373, 13374, 13376, 13383.5, and 13385.1 of, to amend the heading of Chapter 5.5 (commencing with Section 13370) of Division 7 of, to add Sections 13052, 13164.5, 13250, 13251, 13352, and 13377.5 to, and to add Article 8 (commencing with Section 13366) to Chapter 5 of Division 7 of, the Water Code, relating to water, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 601, as amended, Allen. Water: waste discharge.

(1) Under existing law, the State Water Resources Control Board and the 9 California regional water quality control boards regulate water quality and prescribe waste discharge requirements in accordance with the Porter-Cologne Water Quality Control Act (act) and the National Pollutant Discharge Elimination System (NPDES) permit program. Existing law requires, when applying to a city or a county for an initial business license, equivalent instrument, or permit, or renewal thereof, a person who conducts a business operation that is a regulated industry, as defined, to demonstrate enrollment with the NPDES permit program by providing specified information, under penalty of perjury, on the application. Existing law includes in this specified information, among

other things, the Standard Industrial Classification Codes for the business, and a Waste Discharger Identification number (WDID), as specified.

This bill would revise the above-described requirement to demonstrate enrollment with NPDES to instead require demonstrating enrollment with NPDES or the Waste Discharge Requirements (WDR) permit programs by providing the specified information. The bill would require, when applying to a city or a county for a building or construction permit, a person who conducts a business operation that is a regulated industry and seeks permission for construction activities over one acre to demonstrate enrollment with the NPDES or WDR permit programs by providing specified information under penalty of perjury on the initial building or construction permit application, or renewal thereof. By expanding the crime of perjury, the bill would impose a state-mandated local program. The bill would include in this specified information, among other things, the total planned disturbed acreage and WDID or WDID application number issued for the construction or land disturbance activity by the State Water Resources Control Board. By increasing the duties of local officials to administer licenses and permits, the bill would impose a state-mandated local program.

(2) Under the act, the State Water Resources Control Board is authorized to adopt water quality control plans for waters for which quality standards are required by the federal Clean Water Act, as specified, and that in the event of conflict, those plans supersede regional water quality control plans for the same waters.

This bill would delete the limitation on the state board's authorization, and instead would authorize the state board to adopt water quality control plans for any waters of the state, which would include nexus waters, which the bill would define as all waters of the state that are not also navigable, except as specified. The bill would require any water quality standard applicable to nexus waters, which was submitted to, and approved by, or is awaiting approval by, the United States Environmental Protection Agency or the state board as of January 19, 2025, to remain in effect, except where the state board, regional board, or United States Environmental Protection Agency adopts a more stringent standard. The bill would require the state board and regional boards to include nexus waters in all processes pursuant to the federal Clean Water Act, including, but not limited to, the California Integrated Report and the establishment of total maximum daily loads, as specified.

(3) Existing law requires a regional board, after any necessary hearing, to prescribe requirements as to the nature of any proposed discharge, existing discharge, or material change in an existing discharge, except discharges into a community sewer system, with relation to the conditions existing in the disposal area or receiving waters upon, or into which, the discharge is made or proposed and sets forth what the requirements are to include.

This bill would require the above-described discharge requirements to, among other things, implement state policies for water quality control.

(4) The act authorizes the imposition of civil penalties for violations of certain waste discharge requirements, including violation of a cease and desist order or a cleanup and abatement order, and requires that penalties imposed pursuant to these provisions be deposited into the Waste Discharge Permit Fund, to be expended by the state board, upon appropriation by the Legislature, for specified purposes related to water quality. For violations of certain other waste discharge requirements, the act imposes specified civil penalties, the proceeds of which are deposited into the continuously appropriated State Water Pollution Cleanup and Abatement Account.

This bill would require, commencing January 1, 2026, and each calendar year thereafter, the state board's executive director to adjust civil monetary penalties, as specified, including the civil penalties for the above-described provisions. By increasing the amount of penalties deposited into the continuously appropriated State Water Pollution Cleanup and Abatement Account, the bill would make an appropriation.

(5) Existing law generally provides for enforcement and implementation of the act.

This bill would authorize an action to be brought in superior court by a person in the public interest to enforce federal requirements, state standards incorporated by or adopted under this division applicable to nexus waters, or other waste discharge requirements applicable to discharges from any point source to nexus waters, as specified.

(6) The act provides various provisions related to waste discharge to ensure consistency with the requirements for state programs implementing the Federal Water Pollution Control Act and acts amendatory thereof or supplementary thereto. The act defines the terms "navigable waters," "administrator," "pollutants," "biological monitoring," "discharge," and "point sources" as having the same meaning as in the Federal Water Pollution Control Act.

This bill would provide that "waste discharge requirements" include waste discharge requirements issued for discharges to nexus waters, and "discharge" includes discharges from any point source to nexus waters. The bill would provide that for purposes of compliance with the Federal Water Pollution Control Act, nexus waters shall be treated as though they are navigable waters and navigable waters of the United States. The bill would require waste discharge requirements adopted or amended for discharges to nexus waters to be adopted pursuant to and in accordance with the requirements of provisions implementing the Federal Water Pollution Control Act and acts amendatory thereof or supplementary thereto, as specified.

(7) The act requires a person who discharges pollutants or proposes to discharge pollutants to the navigable waters of the United States within the jurisdiction of this state or a person who discharges dredged or fill material or proposes to discharge dredged or fill material into the navigable waters of the United States within the jurisdiction of this state shall file a report of the discharge, except as specified. The act prohibits the discharge of pollutants or dredged or fill material or the operation of a publicly owned treatment works or other treatment works treating domestic sewage by any person, except as authorized by waste discharge requirements or dredged or fill material permits.

This bill would require a person to file a report for discharges to nexus waters. The bill would apply the above-described prohibition to nexus waters.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for specified reasons.

Vote: ⅔. Appropriation: yes. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 16000.3 of the Business and Professions Code is amended to read:

16000.3. (a) When applying to a city for an initial business license, equivalent instrument, or permit, or renewal thereof, a person who conducts a business operation that is a regulated industry, as defined in Section 13383.5 of the Water Code, shall

demonstrate enrollment with the National Pollutant Discharge Elimination System (NPDES) or the Waste Discharge Requirements (WDR) permit programs by providing all of the following information, under penalty of perjury, on the initial business license, equivalent instrument, or permit, or renewal thereof, application:

(1) The name and location of facilities operated by the person who conducts that business.

(2) All primary Standard Industrial Classification Codes, as defined in Section 25244.14 of the Health and Safety Code, for the business.

(3) Any of the following for each facility operated by the person of that business:

(A) The stormwater permit number, known as the Waste Discharger Identification number (WDID), issued for the facility by the State Water Resources Control Board.

(B) The WDID application number issued for the facility by the State Water Resources Control Board.

(C) The "notice of nonapplicability" (NONA) identification number issued for the facility by the State Water Resources Control Board.

(D) The "no exposure certification" (NEC) identification number issued for the facility by the State Water Resources Control Board.

(b) Prior to the issuance or renewal of the business license, equivalent instrument, or permit, the city shall determine whether any of the primary Standard Industrial Classification Codes are applicable to a General Permit for Storm Water Discharges Associated with Industrial Activities Excluding Construction Activities, as referenced in Section 13383.5 of the Water Code, and if applicable, the city shall confirm that the WDID, WDID application number, NONA, or NEC corresponds to the business requesting the initial business license or business license renewal. To determine whether any of the primary Standard Industrial Classification Codes are applicable to a General Permit for Storm Water Discharges Associated with Industrial Activities Excluding Construction Activities, as referenced in Section 13383.5 of the Water Code, the city may use information provided by the State Water Resources Control Board, including information posted pursuant to Section 13383.10 of the Water Code for these purposes. To confirm the WDID, WDID application number, NONA, or

NEC, the city shall only need to keep record of the applicable documentation.

(c) When applying to a city for a building or construction permit, or renewal thereof, a person who conducts a business operation that is a regulated industry, as defined in Section 13383.5 of the Water Code, and seeks permission for construction activities over one acre shall demonstrate enrollment with the NPDES or WDR permit programs by providing all of the following information, under penalty of perjury, on the initial building or construction, or renewal thereof, application:

(1) The company name and building or construction site name or address.

(2) The total planned disturbed acreage.

(3) The WDID or WDID application number issued for the construction or land disturbance activity by the State Water Resources Control Board.

(d) Before the issuance or renewal of a building or construction permit, license, or equivalent instrument that authorizes construction or land disturbance over one acre, the city shall confirm that the construction company has a valid WDID or WDID application number. To confirm the WDID or WDID application number, the city shall only need to keep a record of the applicable documentation.

(e) The city shall transfer compliance information received in subdivisions (a) and (c) to the State Water Resources Control Board as requested by the board. The city shall make the identification number provided in the applicable documentation available to the public upon request in a manner consistent with the procedures of the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code).

(f) For business license, equivalent instrument, or permit renewals, a city may develop a provisional license procedure that provides businesses three months to comply with the requirements of this section.

(g) "City" includes a charter city and a charter city and county.

(h) This section shall apply to applications for initial business licenses, equivalent instruments, or permits, including building or construction permits, and renewals thereof, submitted on and after January 1, 2020.

(i) This section shall not apply to a city that does not issue or renew, or have an application process for issuing or renewing, business licenses, equivalent instruments, permits that include a business license, or building or construction permits.

(j) This section shall not be construed to impose any additional liability on a city under the NPDES or WDR permit programs for nonenrollment under a General Permit for Storm Water Discharges Associated with Industrial Activities Excluding Construction Activities by a person who conducts a business operation that is a regulated industry, as defined in Section 13383.5 of the Water Code, or consistent with Section 13374 of the Water Code associated with construction and land disturbance activities.

(k) For purposes of this section, a business license, equivalent instrument, or permit includes a business license, equivalent instrument, or permit issued solely for the purpose of raising revenue.

SEC. 2. Section 16100.3 of the Business and Professions Code is amended to read:

16100.3. (a) When applying to a county for an initial business license, equivalent instrument, or permit, or business renewal thereof, a person who conducts a business operation that is a regulated industry, as defined in Section 13383.5 of the Water Code, shall demonstrate enrollment with the National Pollutant Discharge Elimination System (NPDES) or the Waste Discharge Requirements (WDR) permit programs by providing all of the following information, under penalty of perjury, on the initial business license, equivalent instrument, or permit, or renewal thereof, application:

(1) The name and location of facilities operated by the person who conducts that business.

(2) All primary Standard Industrial Classification Codes, as defined in Section 25244.14 of the Health and Safety Code, for the business.

(3) Any of the following for each facility operated by the person of that business:

(A) The stormwater permit number, known as the Waste Discharger Identification number (WDID), issued for the facility by the State Water Resources Control Board.

(B) The WDID application number issued for the facility by the State Water Resources Control Board.

(C) The "notice of nonapplicability" (NONA) identification number issued for the facility by the State Water Resources Control Board.

(D) The "no exposure certification" (NEC) identification number issued for the facility by the State Water Resources Control Board.

(b) Prior to the issuance or renewal of the business license, equivalent instrument, or permit, the county shall determine whether any of the primary Standard Industrial Classification Codes are applicable to a General Permit for Storm Water Discharges Associated with Industrial Activities Excluding Construction Activities, as referenced in Section 13383.5 of the Water Code, and if applicable, the county shall confirm that the WDID, WDID application number, NONA, or NEC corresponds to the business requesting the initial business license or business license renewal. To determine whether any of the primary Standard Industrial Classification Codes are applicable to a General Permit for Storm Water Discharges Associated with Industrial Activities Excluding Construction Activities, as referenced in Section 13383.5 of the Water Code, the county may use information provided by the State Water Resources Control Board, including information posted pursuant to Section 13383.10 of the Water Code for these purposes. To confirm the WDID, WDID application number, NONA, or NEC, the county shall only need to keep record of the applicable documentation.

(c) When applying to a county for a building or construction permit, or renewal thereof, a person who conducts a business operation that is a regulated industry, as defined in Section 13383.5 of the Water Code, and seeks permission for construction activities over one acre shall demonstrate enrollment with the NPDES or WDR permit programs by providing all of the following information, under penalty of perjury, on the initial building or construction, or renewal thereof, application:

(1) The company name and building or construction site name or address.

(2) The total planned disturbed acreage.

(3) The WDID or WDID application number issued for the construction or land disturbance activity by the State Water Resources Control Board.

(d) Before the issuance or renewal of a building or construction permit, license, or equivalent instrument that authorizes

construction or land disturbance over one acre, the county shall confirm that the construction company has a valid WDID or WDID application number. To confirm the WDID or WDID application number, the county shall only need to keep a record of the applicable documentation.

(e) The county shall transfer compliance information received in subdivisions (a) and (c) to the State Water Resources Control Board as requested by the board. The county shall make the identification number provided in the applicable documentation available to the public upon request in a manner consistent with the procedures of the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code).

(f) For business license, equivalent instrument, or permit renewals, a county may develop a provisional license procedure that provides businesses three months to comply with the requirements of this section.

(g) "County" includes a charter county and a charter city and county.

(h) This section shall apply to applications for initial business licenses, equivalent instruments, or permits, including building or construction permits, and renewals thereof, submitted on and after January 1, 2020.

(i) This section shall not apply to a county that does not issue or renew, or have an application process for issuing or renewing, business licenses, equivalent instruments, permits that include a business license, or building or construction permits.

(j) This section shall not be construed to impose any additional liability on a county under the NPDES or WDR permit programs for nonenrollment under a General Permit for Storm Water Discharges Associated with Industrial Activities Excluding Construction Activities by a person who conducts a business operation that is a regulated industry, as defined in Section 13383.5 of the Water Code, or consistent with Section 13374 of the Water Code, associated with construction and land disturbance activities.

(k) For purposes of this section, a business license, equivalent instrument, or permit includes a business license, equivalent instrument, or permit issued solely for the purpose of raising revenue.

SEC. 3. Section 13052 is added to the Water Code, immediately following Section 13051, to read:

13052. As used in this division:

(a) "Federal standards" means federal laws or federal regulations implementing the Federal Water Pollution Control Act (33 U.S.C. Sec. 1251 et seq.), including, but not limited to, water quality standards, effluent limitations, and drinking water standards in effect as of January 19, 2025. If, after January 19, 2025, those federal laws or regulations are modified to set a more stringent requirement, the more stringent requirements shall apply.

(b) "Nexus waters" means all waters of the state that are not also navigable waters, as defined in Section 13373, except for the following waters of the state:

(1) Any waters of the state that were determined to be nonjurisdictional for purposes of the Federal Water Pollution Control Act (33 U.S.C. Sec. 1251, et seq.) by either the United States Environmental Protection Agency or a United States Army Corps of Engineers approved jurisdictional determination or verified aquatic resource delineation report prior to May 25, 2023.

(2) Nonwetland tributaries that are tributary only to a water of the state that was determined to be nonjurisdictional pursuant to paragraph (1).

(3) A wetland water of the state that is adjacent to, adjoining, or otherwise hydraulically connected only to a water of the state that was determined to be nonjurisdictional pursuant to paragraph (1).

(4) A wetland water of the state that is not adjacent to, adjoining, or otherwise hydraulically connected to any nonwetland waters of the state.

(5) Groundwater.

(6) Waste treatment systems, including treatment ponds or lagoons, designed to meet the requirements of the Federal Water Pollution Control Act (33 U.S.C. Sec. 1251, et seq.).

(7) Prior converted cropland designated by the United States Secretary of Agriculture.

(8) Ditches, including roadside ditches, excavated wholly in and draining only dry land and that do not carry a relatively permanent flow of water.

(9) Artificially irrigated areas that would revert to dry land if the irrigation ceased.

(10) Artificial lakes or ponds created by excavating or diking dry land to collect and retain water and that are used exclusively for purposes such as stock watering, irrigation, settling basins, or rice growing.

(11) Artificial reflecting or swimming pools or other small ornamental bodies of water created by excavating or diking dry land to retain water for primarily aesthetic reasons.

(12) Water-filled depressions created in dry land incidental to construction activity and pits excavated in dry land for the purpose of obtaining fill, sand, or gravel unless and until the construction or excavation operation is abandoned.

(13) Swales and erosional features characterized by low-volume, infrequent, or short-duration flow.

SEC. 4. Section 13164.5 is added to the Water Code, to read:

13164.5. The state board shall include nexus waters in all processes pursuant to the federal Clean Water Act (33 U.S.C. Sec. 1313(d)), including, but not limited to, the California Integrated Report and the establishment of total maximum daily loads. California Integrated Report listings and total maximum daily loads listed, established, or in process for nexus waters prior to January 19, 2025, shall continue in effect or development.

SEC. 5. Section 13170 of the Water Code is amended to read:

13170. The state board may adopt water quality control plans in accordance with the provisions of Sections 13240 to 13244, inclusive. Those plans, when adopted, supersede any regional water quality control plans for the same waters to the extent of any conflict.

SEC. 6. Section 13250 is added to the Water Code, to read:

13250. Any water quality standard applicable to nexus waters, which was submitted to, and approved by, or is awaiting approval by, the United States Environmental Protection Agency or the state board as of January 19, 2025, shall remain in effect, except where the state board, regional board, or United States Environmental Protection Agency adopts a more stringent standard.

SEC. 7. Section 13251 is added to the Water Code, to read:

13251. The regional boards shall include nexus waters in all processes pursuant to the federal Clean Water Act (33 U.S.C. Sec. 1313(d)), including, but not limited to, the California Integrated Report and the establishment of total maximum daily loads. California Integrated Report listings and total maximum daily

loads listed, established, or in process for nexus waters prior to January 19, 2025, shall continue in effect or development.

SEC. 8. Section 13263 of the Water Code is amended to read:

13263. (a) (1) The regional board, after any necessary hearing, shall prescribe requirements as to the nature of any proposed discharge, existing discharge, or material change in an existing discharge, except discharges into a community sewer system, with relation to the conditions existing in the disposal area or receiving waters upon, or into which, the discharge is made or proposed. The requirements shall implement any relevant water quality control plans and state policies for water quality control that have been adopted, and shall take into consideration the past, present, and probable future beneficial uses to be protected, the water quality objectives reasonably required for that purpose, other waste discharges, the provisions of Section 13241, and the need to prevent nuisance. In the case of discharges to nexus waters, the requirements shall implement the relevant federal standards.

(2) For purposes of discharges from any point source, as defined in Section 13373, to nexus waters, the provisions of Section 13241 do not need to be considered, and the requirements for those discharges shall implement the relevant federal standards, which shall control to the extent there is a conflict.

(b) A regional board, in prescribing requirements, need not authorize the utilization of the full waste assimilation capacities of the receiving waters.

(c) The requirements may contain a time schedule, subject to revision in the discretion of the board.

(d) The regional board may prescribe requirements although no discharge report has been filed.

(e) Upon application by any affected person, or on its own motion, the regional board may review and revise requirements. All requirements shall be reviewed periodically.

(f) The regional board shall notify in writing the person making or proposing the discharge or the change therein of the discharge requirements to be met. After receipt of the notice, the person so notified shall provide adequate means to meet the requirements.

(g) No discharge of waste into the waters of the state, whether or not the discharge is made pursuant to waste discharge requirements, shall create a vested right to continue the discharge.

All discharges of waste into waters of the state are privileges, not rights.

(h) The regional board may incorporate the requirements prescribed pursuant to this section into a master recycling permit for either a supplier or distributor, or both, of recycled water.

(i) The state board or a regional board may prescribe general waste discharge requirements for a category of discharges if the state board or that regional board finds or determines that all of the following criteria apply to the discharges in that category:

(1) The discharges are produced by the same or similar operations.

(2) The discharges involve the same or similar types of waste.

(3) The discharges require the same or similar treatment standards.

(4) The discharges are more appropriately regulated ~~under~~ *pursuant to* general discharge requirements than individual discharge requirements.

(j) The state board, after any necessary hearing, may prescribe waste discharge requirements in accordance with this section.

SEC. 9. Section 13350 of the Water Code is amended to read:

13350. (a) A person who violates a cease and desist order, cleanup and abatement order, waste discharge requirement, waiver condition, certification, or other order or prohibition issued, reissued, or amended by a regional board or the state board, or causes or permits any oil or any residuary product of petroleum to be deposited into or on any of the waters of the state, except in accordance with waste discharge requirements or other actions or provisions of this division, shall be liable civilly, and remedies may be proposed, in accordance with subdivision (d) or (e).

(b) (1) A person who, without regard to intent or negligence, causes or permits a hazardous substance to be discharged in or on any of the waters of the state, except in accordance with waste discharge requirements or other provisions of this division, shall be strictly liable civilly in accordance with subdivision (d) or (e).

(2) For purposes of this subdivision, the term "discharge" includes only those discharges for which Section 13260 directs that a report of waste discharge shall be filed with the regional board.

(3) For purposes of this subdivision, the term "discharge" does not include an emission excluded from the applicability of Section

311 of the federal Clean Water Act (33 U.S.C. Sec. 1321) pursuant to United States Environmental Protection Agency regulations interpreting Section 311(a)(2) of the federal Clean Water Act (33 U.S.C. Sec. 1321(a)(2)).

(c) A person shall not be liable under subdivision (b) if the discharge is caused solely by any one or combination of the following:

(1) An act of war.

(2) An unanticipated grave natural disaster or other natural phenomenon of an exceptional, inevitable, and irresistible character, the effects of which could not have been prevented or avoided by the exercise of due care or foresight.

(3) Negligence on the part of the state, the United States, or any department or agency thereof. However, this paragraph shall not be interpreted to provide the state, the United States, or any department or agency thereof a defense to liability for any discharge caused by its own negligence.

(4) An intentional act of a third party, the effects of which could not have been prevented or avoided by the exercise of due care or foresight.

(5) Any other circumstance or event that causes the discharge despite the exercise of every reasonable precaution to prevent or mitigate the discharge.

(d) The court may impose civil liability either on a daily basis or on a per gallon basis, but not on both.

(1) The civil liability on a daily basis shall not exceed fifteen thousand dollars ($15,000) for each day the violation occurs.

(2) The civil liability on a per gallon basis shall not exceed twenty dollars ($20) for each gallon of waste discharged.

(e) The state board or a regional board may impose civil liability administratively pursuant to Article 2.5 (commencing with Section 13323) either on a daily basis or on a per gallon basis, but not on both.

(1) The civil liability on a daily basis shall not exceed five thousand dollars ($5,000) for each day the violation occurs.

(A) When there is a discharge, and a cleanup and abatement order is issued, except as provided in subdivision (f), the civil liability shall not be less than five hundred dollars ($500) for each day in which the discharge occurs and for each day the cleanup and abatement order is violated.

(B) When there is no discharge, but a cease and desist order or cleanup and abatement order issued by the regional board is violated, except as provided in subdivision (f), the civil liability shall not be less than one hundred dollars ($100) for each day in which the violation occurs.

(2) The civil liability on a per gallon basis shall not exceed ten dollars ($10) for each gallon of waste discharged.

(f) A regional board shall not administratively impose civil liability in accordance with paragraph (1) of subdivision (e) in an amount less than the minimum amount specified, unless the regional board makes express findings setting forth the reasons for its action based upon the specific factors required to be considered pursuant to Section 13327.

(g) The Attorney General, upon request of a regional board or the state board, shall petition the superior court to impose, assess, and recover the sums. Except in the case of a violation of a cease and desist order, a regional board or the state board shall make the request only after a hearing, with due notice of the hearing given to all affected persons. In determining the amount to be imposed, assessed, or recovered, the court shall be subject to Section 13351.

(h) Article 3 (commencing with Section 13330) and Article 6 (commencing with Section 13360) apply to proceedings to impose, assess, and recover an amount pursuant to this article.

(i) A person who incurs any liability established under this section shall be entitled to contribution for that liability from a third party, in an action in the superior court and upon proof that the discharge was caused in whole or in part by an act or omission of the third party, to the extent that the discharge is caused by the act or omission of the third party, in accordance with the principles of comparative fault.

(j) Remedies under this section are in addition to, and do not supersede or limit, any and all other remedies, civil or criminal, except that no liability shall be recoverable under subdivision (a) for a violation for which liability is recovered under Section 13268 or under subdivision (b) for any discharge for which liability is recovered under Section 13385.

(k) Notwithstanding any other law, all funds generated by the imposition of liabilities pursuant to this section shall be deposited into the Waste Discharge Permit Fund. These moneys shall be separately accounted for, and shall be expended by the state board,

upon appropriation by the Legislature, to assist regional boards, and other public agencies with authority to clean up waste or abate the effects of the waste, in cleaning up or abating the effects of the waste on waters of the state, or for the purposes authorized in Section 13443, or to assist in implementing Chapter 7.3 (commencing with Section 13560).

SEC. 10. Section 13352 is added to the Water Code, to read:

13352. (a) Commencing January 1, 2026, and each calendar year thereafter, the state board's executive director shall adjust civil monetary penalties in accordance with this section.

(b) The adjustment for inflation pursuant to this section shall be determined by increasing the maximum civil monetary penalty or the range of minimum and maximum civil monetary penalties, as applicable, for each civil monetary penalty by the cost-of-living adjustment. Any increase determined pursuant to this subdivision shall be rounded to the nearest multiple of one dollar ($1).

(c) For purposes of subdivision (b), "cost-of-living adjustment" means the percentage, if any, for each civil monetary penalty by which the Consumer Price Index for the month of October preceding the date of the adjustment exceeds the Consumer Price Index for the month of October one year before the month of October preceding the date of the adjustment.

(d) The cost-of-living adjustment described in subdivision (b) shall be applied to the amount of the civil monetary penalty as it was most recently established or adjusted.

(e) The amount of the increase in a civil monetary penalty under subdivision (a) shall not exceed 150 percent of the amount of that civil monetary penalty from the previous year, except for the first adjustment.

(f) Any increase under this section in a civil monetary penalty shall apply only to civil monetary penalties, including those whose associated violation predated that increase, which are assessed after the date the increase takes effect.

(g) For purposes of this section, "civil monetary penalties" means the civil penalty or liability provided for in Sections 13261, 13265, 13268, 13308, 13350, 13385, 13385.1, 13399.33, 13497, 13498, 13499, 13529.4, 13611, 13627.1, 13627.2, and 13627.3.

SEC. 11. Article 8 (commencing with Section 13366) is added to Chapter 5 of Division 7 of the Water Code, to read:

Article 8. Citizen Enforcement

13366. (a) An action may be brought in superior court by a person in the public interest to enforce federal requirements, state standards incorporated by or adopted under this division applicable to nexus waters, or other waste discharge requirements applicable to discharges from any point source to nexus waters, each to the extent a cause of action was available pursuant to Section 1365 of Title 33 of the United States Code and implementing regulations prior to May 25, 2023.

(b) At least 60 days before initiating an action pursuant to this section, the person who intends to initiate the action shall provide a written notice of the alleged violation to the alleged violator, the state board, the Attorney General, the applicable regional board, and a district attorney, county counsel, and prosecutor in whose jurisdiction the violation is alleged to have occurred.

(c) A civil monetary penalty action shall not be commenced pursuant to this section if the state board, the Attorney General, a regional board, a district attorney, a city attorney, a county counsel, or a prosecutor in whose jurisdiction the violation is alleged to have occurred has commenced, and is diligently prosecuting, a civil or criminal judicial enforcement proceeding against the alleged violator for the same violations noticed pursuant to subdivision (b).

(d) Upon filing the action, the complainant shall notify the Attorney General that the action has been filed.

(e) The court may award costs of litigation, including reasonable attorney's and expert witness fees, to any prevailing or substantially prevailing plaintiff, whenever the court determines that award is appropriate for an action brought pursuant to this section. Attorney's fees awarded under this section shall be awarded pursuant to Section 1021.5 of the Code of Civil Procedure.

(f) Civil penalties that may be imposed by a superior court for an action brought pursuant to this section are equivalent in value to penalties available for citizen suits brought under the Federal Water Pollution Control Act (33 U.S.C. Sec. 1251 et seq.) and its implementing regulations. Notwithstanding any law requiring or authorizing higher penalties, civil penalties assessed pursuant to this section shall not exceed the civil penalty levels under Part 19 (commencing with Section 19.1) of Subchapter A of Chapter 1 of

Title 40 of the Code of Federal Regulations. Penalties assessed and recovered in a civil action brought pursuant to this section shall be deposited into the Waste Discharge Permit Fund and separately accounted for in that fund. Those moneys shall be expended by the state board, upon appropriation by the Legislature, to assist regional boards, and other public agencies with authority to clean up waste or abate the effects of the waste, in cleaning up or abating the effects of the waste on waters of the state or for the purposes authorized in Section 13443. This subdivision shall not apply to settlement agreements or consent decrees.

(g) This section does not limit other remedies and protections available under state or federal law.

(h) This section shall only apply to violations concerning nexus waters.

(i) As used in this section, "federal requirements" shall have the same meaning as "effluent standard or limitation under this chapter" in Section 1365 of Title 33 of the United States Code and implementing regulations as of May 24, 2023.

(j) An action shall not be brought pursuant to this section against a good faith discharger for violations alleged to have occurred between January 1, 2026, and six months after implementation of waste discharge requirements for nexus waters.

(k) As used in this section, "good faith discharger" means a discharger who obtained a waste discharge requirement that is not also a federal permit or certification pursuant to the Federal Water Pollution Control Act between May 25, 2023, and January 1, 2026, for a discharge to a nexus water.

(*l*) The department shall provide public notification to currently enrolled permittees on the waste discharge requirements for nexus waters and potential for enforcement pursuant to this section.

SEC. 12. The heading of Chapter 5.5 (commencing with Section 13370) of Division 7 of the Water Code is amended to read:

CHAPTER 5.5. COMPLIANCE WITH THE PROVISIONS OF THE FEDERAL WATER POLLUTION CONTROL ACT AS AMENDED IN 1972 AND PROTECTION OF NEXUS WATERS

SEC. 13. Section 13370 of the Water Code is amended to read:

13370. The Legislature finds and declares as follows:

(a) The Federal Water Pollution Control Act (33 U.S.C. Sec. 1251 et seq.), as amended, provides for permit systems to regulate the discharge of pollutants and dredged or fill material to the navigable waters of the United States and to regulate the use and disposal of sewage sludge.

(b) The Federal Water Pollution Control Act, as amended, provides that permits may be issued by states that are authorized to implement the provisions of that act.

(c) It is in the interest of the people of the state, in order to avoid direct regulation by the federal government of persons already subject to regulation under state law pursuant to this division, to enact this chapter in order to authorize the state to implement the provisions of the Federal Water Pollution Control Act and acts amendatory thereof or supplementary thereto, and federal regulations and guidelines issued pursuant thereto, provided, that the state board shall request federal funding under the Federal Water Pollution Control Act for the purpose of carrying out its responsibilities under this program.

(d) It is in the interest of the people of the state to restore and retain protections afforded to certain waters of the state prior to May 25, 2023, under the Federal Water Pollution Control Act and acts amendatory thereof or supplementary thereto, and federal regulations and guidelines issued pursuant thereto, regardless of actions taken at the federal level.

SEC. 14. Section 13372 of the Water Code is amended to read:

13372. (a) This chapter shall be construed to ensure consistency with the requirements for state programs implementing the Federal Water Pollution Control Act and acts amendatory thereof or supplementary thereto, as applicable. To the extent other provisions of this division are consistent with the provisions of this chapter and with the applicable requirements for state programs implementing the Federal Water Pollution Control Act and acts amendatory thereof or supplementary thereto, those provisions apply to actions and procedures provided for in this chapter. The provisions of this chapter shall prevail over other provisions of this division to the extent of any inconsistency. The provisions of this chapter apply only to actions required under the Federal Water Pollution Control Act and acts amendatory thereof or supplementary thereto and to actions required under the Federal Water Pollution Control Act prior to May 25, 2023.

(b) The provisions of Section 13376 requiring the filing of a report for the discharge of dredged or fill material and the provisions of this chapter relating to the issuance of dredged or fill material permits by the state board or a regional board shall be applicable only to discharges for which the state has an approved permit program, in accordance with the provisions of the Federal Water Pollution Control Act, as amended, for the discharge of dredged or fill material.

SEC. 15. Section 13373 of the Water Code is amended to read:

13373. (a) The terms "navigable waters," "administrator," "pollutants," "biological monitoring," "discharge," and "point sources" as used in this chapter shall have the same meaning as in the Federal Water Pollution Control Act and acts amendatory thereof or supplementary thereto.

(b) For purposes of this chapter, nexus waters shall be treated as though they are navigable waters and navigable waters of the United States.

(c) "Discharge" shall include discharges from any point source to nexus waters.

SEC. 16. Section 13374 of the Water Code is amended to read:

13374. (a) The term "waste discharge requirements" as referred to in this division is the equivalent of the term "permits" as used in the Federal Water Pollution Control Act, as amended.

(b) For purposes of this chapter, "waste discharge requirements" shall include waste discharge requirements issued for discharges to nexus waters.

SEC. 17. Section 13376 of the Water Code is amended to read:

13376. A person who discharges pollutants or proposes to discharge pollutants to the navigable waters of the United States within the jurisdiction of this state or a person who discharges dredged or fill material or proposes to discharge dredged or fill material into the navigable waters of the United States within the jurisdiction of this state shall file a report of the discharge in compliance with the procedures set forth in Section 13260. Unless required by the state board or a regional board, and except for discharges to nexus waters, a report need not be filed under this section for discharges that are not subject to the permit application requirements of the Federal Water Pollution Control Act, as amended. A person who proposes to discharge pollutants or dredged or fill material or to operate a publicly owned treatment

works or other treatment works treating domestic sewage shall file a report at least 180 days in advance of the date on which it is desired to commence the discharge of pollutants or dredged or fill material or the operation of the treatment works. A person who owns or operates a publicly owned treatment works or other treatment works treating domestic sewage, which treatment works commenced operation before January 1, 1988, and does not discharge to navigable waters of the United States, shall file a report within 45 days of a written request by a regional board or the state board, or within 45 days after the state has an approved permit program for the use and disposal of sewage sludge, whichever occurs earlier. The discharge of pollutants or dredged or fill material or the operation of a publicly owned treatment works or other treatment works treating domestic sewage by any person, except as authorized by waste discharge requirements or dredged or fill material permits, is prohibited. This prohibition does not apply to discharges or operations if a state or federal permit is not required under the Federal Water Pollution Control Act, as amended, except in the case of discharges to nexus waters.

SEC. 18. Section 13377.5 is added to the Water Code, to read:

13377.5. (a) Notwithstanding any other provision of this division, waste discharge requirements adopted or amended for discharges to nexus waters shall be adopted pursuant to and in accordance with the requirements of this chapter.

(b) Notwithstanding any other provision of this division, waste discharge requirements for discharges to nexus waters that are not also Federal Water Pollution Control Act permits shall be at least as stringent as any analogous Federal Water Pollution Control Act permits, including with respect to total maximum daily load-based effluent limitations and effluent standards or limitations necessary to implement water quality control plans, or for the protection of beneficial uses, or to prevent nuisance.

(c) Notwithstanding any other provision of this division, waste discharge requirements for discharges to nexus waters shall ensure compliance with requirements of Sections 1311, 1312, 1316, 1317, 1318, and 1343 of Title 33 of the United States Code, as those sections were in effect prior to May 25, 2023.

(d) Discharges to nexus waters shall not be authorized through waivers of waste discharge requirements.

SEC. 19. Section 13383.5 of the Water Code is amended to read:

13383.5. (a) As used in this section, "regulated municipalities and industries" means the categories of municipalities and industries required to obtain a stormwater permit under Section 402(p) of the federal Clean Water Act (33 U.S.C. Sec. 1342(p)) and implementing regulations, including industries required to obtain a stormwater permit for discharges prior to May 25, 2023.

(b) This section only applies to regulated municipalities that were subject to a stormwater permit on or before December 31, 2001, and to regulated industries that are subject to a General Permit for Storm Water Discharges Associated with Industrial Activities Excluding Construction Activities.

(c) Before January 1, 2003, the state board shall develop minimum monitoring requirements for each regulated municipality and minimum standard monitoring requirements for regulated industries. This program shall include, but is not limited to, all of the following:

(1) Standardized methods for collection of stormwater samples.

(2) Standardized methods for analysis of stormwater samples.

(3) A requirement that every sample analysis under this program be completed by a state certified laboratory or by the regulated municipality or industry in the field in accordance with the quality assurance and quality control protocols established pursuant to this section.

(4) A standardized reporting format.

(5) Standard sampling and analysis programs for quality assurance and quality control.

(6) Minimum detection limits.

(7) Annual reporting requirements for regulated municipalities and industries.

(8) For the purposes of determining constituents to be sampled for, sampling intervals, and sampling frequencies, to be included in a municipal stormwater permit monitoring program, the regional board shall consider the following information, as the regional board determines to be applicable:

(A) Discharge characterization monitoring data.

(B) Water quality data collected through the permit monitoring program.

(C) Applicable water quality data collected, analyzed, and reported by federal, state, and local agencies, and other public and private entities.

(D) Any applicable listing under Section 303(d) of the federal Clean Water Act (33 U.S.C. Sec. 1313) or Section 13251 of this code.

(E) Applicable water quality objectives and criteria established in accordance with the regional board basin plans, statewide plans, and federal regulations.

(F) Reports and studies regarding source contribution of pollutants in runoff not based on direct water quality measurements.

(d) The requirements prescribed pursuant to this section shall be included in all stormwater permits for regulated municipalities and industries that are reissued following development of the requirements described in subdivision (c). Those permits shall include these provisions on or before July 1, 2008. In a year in which the Legislature appropriates sufficient funds for that purpose, the state board shall make available to the public via the internet a summary of the results obtained from stormwater monitoring conducted in accordance with this section.

SEC. 20. Section 13385.1 of the Water Code is amended to read:

13385.1. (a) (1) For the purposes of subdivision (h) of Section 13385, a "serious violation" also means a failure to file a discharge monitoring report required pursuant to Section 13383 for each complete period of 30 days following the deadline for submitting the report, if the report is designed to ensure compliance with limitations contained in waste discharge requirements that contain effluent limitations. This paragraph applies only to violations that occur on or after January 1, 2004.

(2) (A) Notwithstanding paragraph (1), a failure to file a discharge monitoring report is not a serious violation for purposes of subdivision (h) of Section 13385 at any time prior to the date a discharge monitoring report is required to be filed or within 30 days after receiving written notice from the state board or a regional board of the need to file a discharge monitoring report, if the discharger submits a written statement to the state board or the regional board that includes both of the following:

(i) A statement that there were no discharges reportable under the applicable waste discharge requirements during the relevant monitoring period.

(ii) The reason or reasons the required report was not submitted to the regional board by the deadline for filing that report.

(B) Upon the request of the state board or regional board, the discharger may be required to support the statement with additional explanation or evidence.

(C) If, in a statement submitted pursuant to subparagraph (A), the discharger willfully states as true any material fact that the discharger knows to be false, that person shall be subject to a civil penalty not exceeding ten thousand dollars ($10,000). Any public prosecutor may bring an action for a civil penalty under this subparagraph in the name of the people of the State of California, and the penalty imposed shall be enforced as a civil judgment.

(D) Notwithstanding subparagraph (A), the failure to file a discharge monitoring report is subject to penalties in accordance with subdivisions (c) and (e) of Section 13385.

(b) (1) Notwithstanding paragraph (1) of subdivision (a), a mandatory minimum penalty shall continue to apply and shall be assessed pursuant to subdivision (h) of Section 13385, but only for each required report that is not timely filed, and shall not be separately assessed for each 30-day period following the deadline for submitting the report, if both of the following conditions are met:

(A) The discharger did not on any occasion previously receive, from the state board or a regional board, a complaint to impose liability pursuant to subdivision (b) or (c) of Section 13385 arising from a failure to timely file a discharge monitoring report, a notice of violation for failure to timely file a discharge monitoring report, or a notice of the obligation to file a discharge monitoring report required pursuant to Section 13383, in connection with its corresponding waste discharge requirements.

(B) The discharges during the period or periods covered by the report do not violate effluent limitations, as defined in subdivision (d), contained in waste discharge requirements.

(2) Paragraph (1) shall only apply to a discharger who does both of the following:

(A) Files a discharge monitoring report that had not previously been timely filed within 30 days after the discharger receives

written notice, including notice transmitted by electronic mail, from the state board or regional board concerning the failure to timely file the report.

(B) Pays all penalties assessed by the state board or regional board in accordance with paragraph (1) within 30 days after an order is issued to pay these penalties pursuant to Section 13385.

(3) Notwithstanding paragraph (1), the failure to file a discharge monitoring report is subject to penalties in accordance with subdivisions (c) and (e) of Section 13385.

(4) This subdivision shall become inoperative on January 1, 2014.

(c) (1) Notwithstanding any other provision of law, moneys collected pursuant to this section for a failure to timely file a report, as described in subdivision (a), shall be deposited into the State Water Pollution Cleanup and Abatement Account.

(2) Notwithstanding Section 13340 of the Government Code, the funds described in paragraph (1) are continuously appropriated, without regard to fiscal years, to the state board for expenditure by the state board to assist regional boards, and other public agencies with authority to clean up waste or abate the effects of the waste, in responding to significant water pollution problems.

(d) For the purposes of this section, paragraph (2) of subdivision (f) of Section 13385, and subdivisions (h), (i), and (j) of Section 13385 only, "effluent limitation" means a numeric restriction or a numerically expressed narrative restriction, on the quantity, discharge rate, concentration, or toxicity units of a pollutant or pollutants that may be discharged from an authorized location. An effluent limitation may be final or interim, and may be expressed as a prohibition. An effluent limitation, for those purposes, does not include a receiving water limitation, a compliance schedule, or a best management practice.

(e) The amendments made to this section by Senate Bill 1284 of the 2009–10 Regular Session of the Legislature shall apply to violations for which an administrative civil liability complaint or a judicial complaint has not been filed before July 1, 2010, without regard to the date on which the violations occurred.

SEC. 21. This bill is not intended to modify or weaken existing protections. In the event of a conflict between the provisions of this bill and any existing state law or regulation, the more stringent provision shall prevail.

SEC. 22. The provisions of this bill are severable. If any provision of this bill or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 23. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act or because costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

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Item No. 5

ACTION ITEM
May 7, 2025

TO: Board of Directors

FROM: Harvey De La Torre
General Manager

Staff Contact: Heather Baez

SUBJECT: ACR 36 (CARRILLO) – SPECIAL DISTRICTS WEEK 2025

STAFF RECOMMENDATION

Staff recommends the Board of Directors vote to adopt a support position on Assembly Concurrent Resolution 36 (Carrillo) and join the California Special Districts Association's (CSDA) coalition and outreach efforts.

BILL SUMMARY

ACR 163 proclaims that the week of May 18-24, 2025, to be Special Districts Week in California.

ARGUMENTS IN SUPPORT

Similar to previous years, Assembly Concurrent Resolution (ACR) 36 encourages all Californians to engage with their local government and become actively involved with the Special Districts that serve them.

Special Districts, such as MWDOC, are local government entities created by a community's residents, funded by those residents, and overseen by those residents to provide specialized services and infrastructure.

Today, approximately 2,000 independent special districts provide millions of Californians with essential services, including services related to water, sanitation and water recycling, fire protection, electricity, parks and recreation, health care, open space, ports and harbors, flood protection, mosquito abatement, cemeteries, resource conservation, airports, transit, road maintenance, veterans' facilities, and more.

Budgeted: ☐ Yes ☐ No	Budgeted amount: N/A	Core: ☒	Choice: ☐
Action item amount: N/A	Movement between funds: ☐ Yes ☐ No		

ACR 36 is sponsored by the California Special Districts Association (CSDA), a statewide association representing over 1,000 special districts and affiliate organizations throughout the state. This is California's seventh annual celebration of Special Districts, and the CSDA hopes that this year's Special Districts Week will have an even greater impact on our communities.

ARGUMENTS IN OPPOSITION

None on file.

ALIGNMENT WITH BOARD STRATEGIC PRIORITIES

- ☒ *Clarifying MWDOC's mission and role; defining functions and actions.*
- ☐ *Balance support for Metropolitan's regional mission and Orange County values and interests.*
- ☒ *Strengthen communications and coordination of messaging.*
- ☐ *Work with member agencies to develop water supply and demand objectives.*
- ☐ *Solicit input and feedback from member agencies.*
- ☐ *Invest in workforce development and succession planning.*

BOARD OPTIONS

Option #1: Adopt a Support position on ACR 36 (Carrillo) and join CSDA's coalition and outreach efforts.

Fiscal Impact: None

Option #2: Take no action
Fiscal Impact: None

List of Attachments/Links:
Attachment 1: ACR 36 Full Text

Assembly Concurrent Resolution No. 36

Introduced by Assembly Member Carrillo

February 20, 2025

Assembly Concurrent Resolution No. 36—Relative to Special Districts Week.

LEGISLATIVE COUNSEL'S DIGEST

ACR 36, as introduced, Carrillo. Special Districts Week.

This measure proclaims the week of May 18, 2025, to May 24, 2025, to be Special Districts Week.

Fiscal committee: no.

WHEREAS, Special districts are local governmental entities created by a community's residents, funded by those residents, and overseen by those residents, to provide specialized services and infrastructure; and

WHEREAS, Today, just over 2,000 independent special districts provide millions of Californians with essential services, including services related to water, sanitation, and water recycling, fire protection, electricity, parks and recreation, health care, open space, ports and harbors, flood protection, mosquito abatement, cemeteries, resource conservation, airports, transit, road maintenance, veterans' facilities, and more; and

WHEREAS, Special districts first arose when San Joaquin Valley farmers needed a way to access their local water supply; and

WHEREAS, Under the Wright Act of 1887, the Turlock Irrigation District became California's first special district and

made it possible for local farmers to intensify and diversify agriculture in California's central valley; and

WHEREAS, In the 20th century, special districts increased dramatically in both number and scope, and during the periods of prosperity and population growth that followed both world wars when the demand for all types of public services increased, and special districts met that need; and

WHEREAS, The statutory authorization for mosquito abatement districts was enacted in 1915 to combat the salt marsh mosquitoes around the San Francisco Bay and higher than average malaria cases in rural counties; and

WHEREAS, Fire protection districts can trace their origins to a 1923 state law, and, in 1931, the Legislature authorized recreation districts, the forerunners of today's recreation and park districts; and

WHEREAS, Hospital districts arose in 1945 because of a statewide shortage of hospital beds. In 1994, the Legislature then expanded their breadth and renamed them health care districts in recognition of the diverse, modern needs of California's communities and the importance of proactive, affordable health care beyond the walls of a hospital building; and

WHEREAS, Although originally created to provide individual services, in 1961, the Legislature authorized special districts to address multiple needs when it provided for multipurpose, community services districts; and

WHEREAS, Special districts vary in size and scope and serve diverse communities throughout California, from small rural neighborhoods, such as the Pine Cove Water District in the San Jacinto Mountains in the County of Riverside, to large urban regions, such as the East Bay Municipal Utility District spanning much of the Counties of Alameda and Contra Costa; and

WHEREAS, Local residents own special districts and govern them through locally elected or appointed boards. A series of sunshine laws ensure special districts remain transparent and accountable to the communities they serve, as these laws require open and public meetings, public access to records, regular audits, online posting of finances and compensation, and more; and

WHEREAS, To prevent overlapping services and ensure that local agencies are operating effectively and efficiently to meet community needs, special districts are formed, reviewed,

consolidated, or dissolved through a methodical local process that includes the oversight of a local agency formation commission and the consent of local voters; and

WHEREAS, In 1969, several independent special districts formed a statewide association called the California Special Districts Association, commonly referred to as the CSDA, to promote good governance and improved essential local services through professional development, advocacy, and other services for all types of independent special districts; and

WHEREAS, The Legislature seeks to promote democratic institutions, community-based services, local control, and self-determination; and

WHEREAS, The Legislature seeks to promote and educate the public about their local public service providers, including awareness and understanding of special districts; now, therefore, be it

Resolved by the Assembly of the State of California, the Senate thereof concurring, That the Legislature hereby proclaims the week of May 18, 2025, to May 24, 2025, inclusive, to be Special Districts Week and encourages all Californians to be involved in their communities and be civically engaged with their local government; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the author for appropriate distribution.

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Item No. 6

ACTION ITEM
May 7, 2025

TO: Board of Directors

FROM: **Harvey De La Torre, General Manager**

Staff Contact: Melissa Baum-Haley
Alex Heide

SUBJECT: **CONJUNCTIVE USE PROGRAM AGREEMENT TERMINATION**

STAFF RECOMMENDATION

It is recommended that the Board of Directors authorize the General Manager to execute the Orange County Conjunctive Use Program Termination Agreement with the Metropolitan Water District of Southern California and Orange County Water District.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT

In November 2000, Metropolitan released a Request for Proposals (RFP) for the Conjunctive Use Program (CUP). Nine CUP programs were selected, approved by the Board, and awarded a total of $45 million in Proposition 13 grant funding, along with $27 million in funding from Metropolitan. These CUP programs included: Chino Basin, Compton, Elsinore, Foothill Area, Live Oak, Long Beach, Long Beach Expansion into Lakewood, Orange County, and Upper Claremont.

In 2003, the Orange County Water District (OCWD), Metropolitan, and the Municipal Water District of Orange County (MWDOC) entered into an agreement for the Orange County Basin Groundwater Conjunctive Use Program (Orange County CUP). This program allowed Metropolitan to store up to 66,000 acre-feet of water in the groundwater basin during wet years and extract up to 20,000 acre-feet during dry years. To support capital needs for the project, $15 million in Proposition 13 grant funds were allocated, in addition to funding for the Yorba Linda Feeder Bypass Project and capital improvements operated by OCWD. The Orange County CUP program was originally set to terminate on June 25, 2028.

Budgeted: ☐ Yes ☐ No ☒ N/A	Budgeted amount: N/A	Core: ☐	Choice: ☐
Action item amount: N/A	Movement between funds: ☐ Yes ☐ No		

As Metropolitan developed alternative approaches and programs for coordinated groundwater storage management that provide regional benefits, the use of the CUP program transitioned to the Cyclic and Cyclic Cost-Offset programs. The Orange County CUP program was last used in 2017. Due to the administrative costs associated with maintaining the program and its inactivity, Metropolitan has proposed terminating six of the nine CUP program agreements. The Orange County CUP is among the inactive programs proposed for termination. Since the original agreement did not include a termination clause, a new agreement is required to formally terminate the Orange County CUP program.

General Agreement Terms

The following conditions will apply to the agreement as shown in the Metropolitan Board Memo (Attachment 1)

- Metropolitan and the six participating member agencies will enter into individual agreements.
- Termination of the Orange County CUP agreement will be effective by June 30, 2025.
- The participating member agency would not be required to pay back any funds received from Metropolitan during the term of the agreement.
- No money would be due upon termination by either party unless there is water remaining in a CUP account.
- Since there is no water remaining in the Orange County CUP account, no money is due.

Other Agency Actions

- Metropolitan's Board authorized the termination of the Orange County CUP program on **April 8, 2025** (Attachment 1).
- OCWD's Board authorized the termination of the agreement on **April 9, 2025** (Attachment 2).

ALIGNMENT WITH BOARD STRATEGIC PRIORITIES

- ☒ *Clarifying MWDOC's mission and role; defining functions and actions.*
- ☒ *Balance support for Metropolitan's regional mission and Orange County values and interests.*
- ☐ *Strengthen communications and coordination of messaging.*
- ☐ *Work with member agencies to develop water supply and demand objectives.*
- ☒ *Solicit input and feedback from member agencies.*
- ☐ *Invest in workforce development and succession planning.*

BOARD OPTIONS

Option #1: The Board of Directors authorize the General Manager to execute the Orange County Conjunctive Use Program Termination Agreement with the Metropolitan Water District of Southern California and Orange County Water District.

Fiscal Impact: No fiscal impact to MWDOC directly. Termination would provide Metropolitan with cost-savings on agreement administration of between $118,000 and $245,000 due to the elimination of administrative fee payments.

Option #2: Do not authorize execution of the termination agreement.

Fiscal Impact: None.

List of Attachments/Links:
Attachment 1- Metropolitan Board Memo – Orange County CUP Termination 4/8/2025 ***Attachment 2 –*** OCWD Board Memo – Orange County CUP Termination 4/9/2025

- Board of Directors
  One Water and Adaptation Committee (OWA)

4/8/2025 Board Meeting

7-16

Subject

Authorize the General Manager to terminate the Orange County Conjunctive Use Program Agreement; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff recommends that the General Manager be authorized to enter into agreements to terminate six inactive Conjunctive Use Program (CUP) agreements. The six inactive agreements include Compton, Foothill Area, Live Oak Basin, Long Beach, Long Beach Expansion into Lakewood, and Orange County CUPs. The six programs have been inactive for a variety of reasons, including lack of local agency support, groundwater contamination concerns, or leadership changes. Staff has coordinated with the member agencies involved with the listed projects, and the consensus of both member agencies and staff is to terminate the agreements.

The subject of this board action is to terminate the Orange County CUP agreement. Termination of the Orange County CUP agreement will reduce Metropolitan costs in the current biennium by approximately $118,000 and $245,000 in future years due to the elimination of administrative fee payments that would be made by Metropolitan if the agreement remains in effect. A summary of the CUP programs is provided in **Attachment 1**.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to terminate the Orange County Conjunctive Use Program Agreement.

Fiscal Impact: Terminating the agreement would relieve Metropolitan of administrative fees and result in a reduction of budgeted Supply Program costs of $118,154 in FY2025/26 and a total reduction of $363,398 through the term of the existing agreement.
Business Analysis: This action will reduce Metropolitan's costs in the current biennium by approximately $118,000 and $245,000 in future years due to the elimination of administrative fee payments that would have been made by Metropolitan if the agreement had remained in effect.

Option #2

Do not authorize the General Manager to terminate the Orange County CUP agreement, which would allow the Orange County CUP agreement to terminate on its current schedule.
Fiscal Impact: Cost savings or increased revenue in this biennium will not be achieved.
Business Analysis: Not terminating now will leave this agreement on its original schedule, and no cost savings or increased revenue will be realized in this biennium. Revenue generation would be deferred to 2028.

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District Administrative Code Section 4209: Contracts

Metropolitan Water District Administrative Code Section 4507: Billing and Payment of Water Deliveries

By Minute Item 43514, dated April 13, 1999, the Board adopted the Water Surplus and Drought Management Plan.

By Minute Item 43860, dated Jan. 11, 2000, the Board approved strategies for implementing Groundwater Storage Programs within Metropolitan's service area.

By Minute Item 44210, dated Oct. 17, 2000, the Board adopted Resolution 8706 to accept the grant for funds from Proposition 13.

Related Board Action(s)/Future Action(s)

By Minute Item 44427, dated April 10, 2001, the Board gave authority to finalize agreement terms for Groundwater Conjunctive Use Projects using Proposition 13 funds.

By Minute Item 44871, dated May 14, 2002, the Board approved the Long Beach CUP.

By Minute Item 45035, dated October 8, 2002, the Board approved the Live Oak Basin CUP.

By Minute Item 45205, dated February 11, 2003, the Board approved the Foothill Area CUP.

Board Report dated May 11, 2004, reporting on the selection of Groundwater Storage Programs using remaining Proposition 13 funds.

By Minute Item 46073, dated January 11, 2005, the Board approved the Compton CUP.

By Minute Item 46301, dated July 12, 2005, the Board approved the Long Beach CUP Phase 2 expansion into Lakewood.

Summary of Outreach Completed

Presented to Member Agency Managers Meeting on February 11, 2025

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)).

CEQA determination for Option #2:

None required

Details and Background

Background

The purpose of the CUP program is to store water during wet years and extract the stored water during dry years upon a call by Metropolitan. Since 2002, more than 350,000 acre-feet has been stored in the nine CUP programs. Also, the CUP program has generated a total of about 266,000 acre-feet of yield that has benefited Metropolitan during drought and emergencies.

Metropolitan seeks ways to streamline the current program and identify measures to reduce costs and generate revenue in the CUP program. To achieve this goal, Metropolitan proposes to terminate six inactive CUP programs

during this fiscal year to reduce future administrative and reimbursement costs and to generate revenue. This proposed action would terminate the Orange County CUP agreement.

History of the CUP Program

The 1996 Integrated Resources Plan (IRP) identified groundwater storage as an important part of Metropolitan's future water resource mix. The IRP also identified that the remaining need for long-term storage is 450,000 acre-feet, with 150,000 acre-feet per year of dry-year production.

In January 2000 (Board Item 9-5), the Board approved a hybrid framework for the development of in-region dry-year CUP. This hybrid framework for CUP included two components:

- **A case-by-case approach** where member agencies could submit proposals to Metropolitan based upon their needs and expected benefits, or Metropolitan may approach a member agency based upon an assessment of potential regional benefits; and
- **A request for proposal (RFP) approach** where member agencies would submit proposals that would be competitively ranked against specific criteria. This approach tries to standardize all Groundwater Storage Programs; however, experience has shown that not all local groundwater programs are alike. Local issues such as water quality, basin adjudication or management, and local and regional benefits are all unique, making it difficult to rank projects using specific criteria.

In January 2000, the Board also established principles for the development of conjunctive use in the service area. These principles are summarized in **Attachment 1**.

In March 2000, 65 percent of California voters approved Proposition 13 (Prop. 13), authorizing the state of California to sell $1.97 billion in general obligation bonds for water-related projects throughout the state. In May 2020, the Governor's Annual Budget Act appropriated to the Department of Water Resources local assistance grant funds from Prop 13. From these funds, the state allocated $45 million to Metropolitan to help finance Southern state Water Reliability Projects targeting conjunctive use projects within the Metropolitan's service area.

In November 2000, Metropolitan released an RFP for the CUP Program. Nine CUP programs were selected and approved by the Board and received funding from Prop 13 in the amount of $45 million and Metropolitan in the amount of $27 million. These CUP programs included: the Chino Basin, Compton, Elsinore, Foothill Area, Live Oak, Long Beach, Long Beach Expansion into Lakewood, Orange County, and Upper Claremont CUPs. Each CUP agreement has a term of 25 years with termination between 2027 and 2031, depending upon when the agreement was executed. Without this action, the Orange County CUP agreement will terminate on June 25, 2028. Each agreement also includes provisions for capital facilities needed to perform for the program. Program facilities included treatment facilities, new wells, conveyance systems, and recharge facilities. The final disbursement of the Prop 13 and Metropolitan funding for the completion of all funded CUP facilities was achieved in May 2009.

The total storage of the CUP programs is 211,889 acre-feet with a dry-year yield of 70,296 acre-feet per year. The current balance in the CUP program is 83,607 acre-feet. Storage amounts for all the CUP programs are shown in **Attachment 1**.

Need for Action

Six CUP programs have been inactive for a variety of reasons, including lack of local agency support, groundwater contamination concerns, or leadership changes. Over time, Metropolitan has developed alternative approaches and programs for coordinated groundwater storage management that can continue to provide regional benefits that have previously come from these inactive CUP programs. Metropolitan has discussed the termination of these programs with the affected member agencies. As a result of these discussions, the program partners have expressed interest in terminating their programs early. The six inactive agreements include Compton, Foothill Area, Live Oak Basin, Long Beach, Long Beach-Lakewood, and Orange County CUPs. This action would terminate the Orange County CUP agreement. Regional dry-year storage levels are currently at a record high of 3.8 million acre-feet. The proposed action is not likely to significantly impact the availability of

dry-year supplies. Further, termination of the inactive programs does not impact the requirements of the Prop 13 funding received and disbursed to the participating agencies for the development of the programs.

Proposed Action and General Terms

Staff recommends that the Board authorize the General Manager to enter into agreements to terminate six inactive CUP agreements. This action would terminate the Orange County CUP. New agreements are currently required to allow for the termination of the existing agreements. The existing CUP agreements do not include standard termination language, which would have allowed the parties to initiate early terminations upon written notice.

General Terms

The following conditions will apply to the agreements:

- Metropolitan and the six participating member agencies will enter into individual agreements.
- Termination of the Orange County CUP agreement will be effective by June 30, 2025.
- The participating member agency would not be required to pay back any funds received from Metropolitan during the term of the agreement.
- No money would be due upon termination by either party unless there is water remaining in a CUP account.
- Since there is no water remaining in the Orange County CUP account, no money is due.

Project Milestone

Termination of the Orange County CUP will be effective June 30, 2025.

3/24/2025
Brandon J. Goshi *Date*
Interim Manager,
Water Resource Management

3/24/2025
Deven N. Upadhyay *Date*
General Manager

Attachment 1 – Summary of Conjunctive Use Programs

Ref# wrm12706054

Summary of Conjunctive Use Programs

Program	Current Balance (AF)	Start Date	Original Termination Date	Active or Inactive	Proposed Termination Date
Chino	63,838	2003	2028	Active	—
Compton	0	2005	2030	Inactive	2025
Elsinore	11,891	2006	2031	Active	—
Foothill Area	0	2003	2028	Inactive	2025
Live Oak	0	2002	2027	Inactive	2025
Long Beach Phase 1	6,678	2002	2027	Inactive	2025
Long Beach Phase 2 (Lakewood)	0	2005	2030	Inactive	2025
Orange County	0	2003	2028	Inactive	2025
Upper Claremont	1,200	2005	2030	Active	—
Total	**83,607**	—	—	—	—

Backup materials for Committee items are available in the Committee packet.
Materials distributed at Committee meetings are attached hereto

AGENDA ITEM SUBMITTAL

Meeting Date: April 9, 2025

To: Water Issues Committee
Board of Directors

From: John Kennedy

Staff Contact: C. Olsen

Budgeted: N/A
Proposed Budget: N/A
Cost Estimate: N/A
Funding Source: N/A
Program/Line Item No.: N/A
General Counsel Approval: N/A
Engineers Report: N/A
CEQA Compliance: N/A

Subject: TERMINATE THE INACTIVE CONJUNCTIVE USE PROGRAM STORAGE AGREEMENT WITH METROPOLITAN WATER DISTRICT

SUMMARY

The Metropolitan Water District (MWD) and OCWD Conjunctive Use Program (CUP) Agreement was initiated in 2003 and is set to expire in 2028. The agreement allows MWD to store up to 66,000 acre-feet of water in the groundwater basin. MWD is now requesting to terminate the CUP Agreement and staff concurs with that request.

Attachment: MWD Board submittal recommending termination of six inactive CUP agreements

RECOMMENDATION

RECOMMENDED BY COMMITTEE

Agendize for April 16 Board Meeting: Terminate the Conjunctive Use Program Storage Agreement with the Metropolitan Water District.

BACKGROUND/ANALYSIS

In November 2000, MWD released a request for proposals for the CUP Program. Nine CUP programs were selected and approved by the Board and received funding from Prop 13 in the amount of $45 million and Metropolitan in the amount of $27 million. These CUP programs included: the Chino Basin, Compton, Elsinore, Foothill Area, Live Oak, Long Beach, Long Beach Expansion into Lakewood, OCWD, and Upper Claremont CUPs. Each CUP agreement has a term of 25 years with termination between 2027 and 2031, depending upon when the agreement was executed.

Each agreement also included provisions for capital facilities needed to perform for the program such as treatment facilities, new wells, conveyance systems, and recharge facilities. OCWD's Agreement specifically included eight new groundwater wells for Producers along with other amenities in exchange for MWD storing 66,000 acre-feet of water in the OCWD basin.

The benefits of the CUP Agreement for OCWD were additional wells constructed in the OCWD service area which provided greater reliability and flexibility benefits to the

Producers, the additional wells were also used for programs such as transferring groundwater production inland away from the coast; OCWD received lower TDS replenishment water supplies directly from the Diemer Filtration plant; groundwater levels were higher in the basin with the program; OCWD received funding to assist in the construction of additional Talbert Barrier injection wells along with an annual administrative fee; and OCWD could deliver the water into storage via a coastal in-lieu program.

The benefits of the CUP Agreement for MWD were storing 66,000 acre-feet of excess imported water supplies in the OCWD groundwater basin for later use during a drought period; MWD helped to drought proof the area while reducing its dependence upon imported water during dry years; OCWD Producers maintained the necessary wells to deliver the stored water during a drought; and MWD stored surplus water supplies, which were later sold at the treated non-interruptible rate minus the producers energy and O&M cost.

MWD has not used the program for several years as it has developed larger storage programs behind Lake Mead and in groundwater basins in the California central valley. Termination of the inactive agreement will reduce MWD's administrative and O&M costs. There is no cost for early termination which would become effective June 30, 2025. Staff recommends terminating the inactive CUP agreement with MWD.

PRIOR RELEVANT BOARD ACTION(S)

N/A

Item No. 7

DISCUSSION ITEM
May 7, 2025

TO: **Board of Directors**

FROM: **Harvey De La Torre,**
General Manager

Staff Contact: Melissa Baum-Haley
Alex Heide
Kevin Hostert

SUBJECT: **METROPOLITAN WATER DISTRICT (MET) ITEMS CRITICAL TO ORANGE COUNTY**

STAFF RECOMMENDATION

Staff recommends the Board of Directors to review and discuss this information.

DETAILED REPORT

This report provides a brief update on the current status of the following key MET issues that may affect Orange County:

a. MET's Finance and Rate Issues
b. Water Supply Condition Update
c. Water Quality Update
d. Colorado River Issues
e. Delta Conveyance Activities and State Water Project Issues

ISSUE BRIEF #A

SUBJECT: MET Finance and Rate Issues

RECENT ACTIVITY

Water Transactions for April 2025 (for water delivered in February 2025) totaled 67.2 thousand acre-feet (TAF), which was 10.1 TAF lower than the budget of 77.3 TAF and translates to $75.5 million in receipts for April 2025, which were $6.4 million lower than the budget of $81.9 million.

Year-to-date water transactions through April 2025 (for water delivered in May 2024 through February 2025) were 1.14 TAF, which was 1 AF lower than the budget of 1.14 TAF.

Year-to-date water receipts through April 2025 were $1,259.1 million, which was $45.1 higher lower than the budget of $1,213.9 million.

Month		Acre-Feet (AF)[2]		Variance		Revenue ($)[1]		Variance	
Delivered/ Billed In	To be Collected in	Budget	Actual	AF	%	Budget	Actual	$	%
May	July	111,381	93,988	(17,393)	-16%	115,411,844	111,844,425	(3,567,419)	-3%
June	August	119,830	101,259	(18,571)	-15%	142,766,424	100,440,378	(42,326,046)	-30%
July	September	133,150	113,715	(19,435)	-15%	141,775,001	121,901,017	(19,873,984)	-14%
August	October	136,454	116,650	(19,804)	-15%	145,410,622	129,047,328	(16,363,294)	-11%
September	November	127,137	114,291	(12,846)	-10%	133,836,426	124,663,850	(9,172,576)	-7%
October	December	123,989	115,743	(8,246)	-7%	128,665,932	122,055,973	(6,609,959)	-5%
November	January	124,881	99,081	(25,800)	-21%	125,782,252	110,437,861	(15,344,391)	-12%
December	February[3]	104,337	240,153	135,816	130%	103,324,010	265,305,379	161,981,369	157%
January	March	88,988	85,355	(3,633)	-4%	95,074,177	97,849,865	2,775,688	3%
February	April	77,291	67,202	(10,089)	-13%	81,911,825	75,548,551	(6,363,274)	-8%
YTD Total		**1,147,438**	**1,147,437**	**(1)**	**0%**	**1,213,958,513**	**1,259,094,627**	**45,136,114**	**4%**
March	May	82,757	-	-	0%	88,153,603	-	-	0%
April	June	107,565	-	-	0%	116,431,176	-	-	0%
FY Total		**1,337,760**	**1,147,437**	**N/A**	**N/A**	**1,418,543,292**	**1,259,094,627**	**N/A**	**N/A**

ISSUE BRIEF #B

SUBJECT: MET's Supply Condition Update

RECENT ACTIVITY

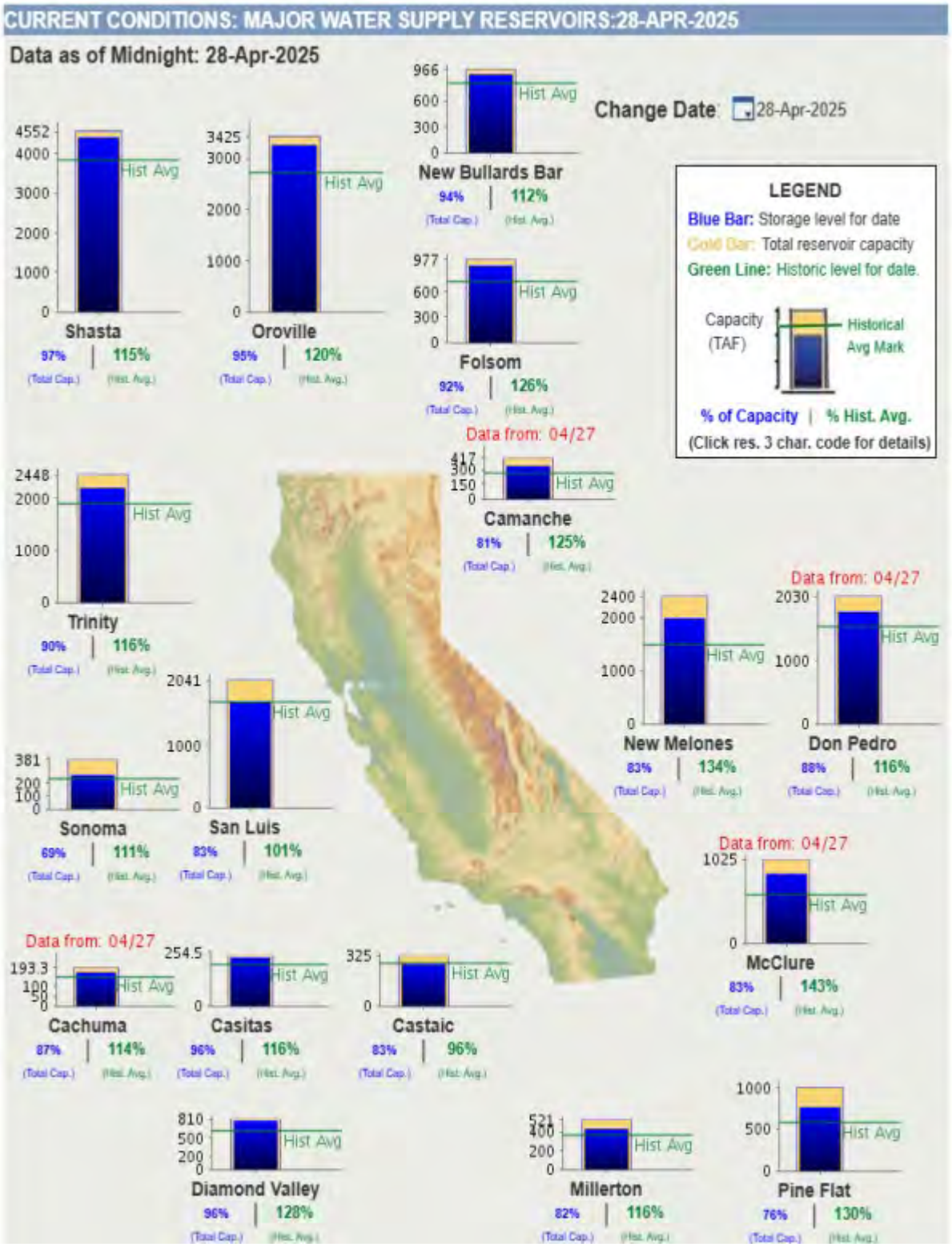
The 2024-25 Water Year (2024-25 WY) officially started on October 1, 2024. Thus far, Northern California accumulated precipitation (8-Station Index) reported ***54.0. inches or 118% of normal as of April 29th***. The Northern Sierra Snow Water Equivalent peaked at ***31.7 inches om April 4th***, which is ***112% of normal*** for that day. The Department of Water Resources (DWR) has increased the State Water Project (SWP) ***"Table A" allocation to 50% as of April 2025.***

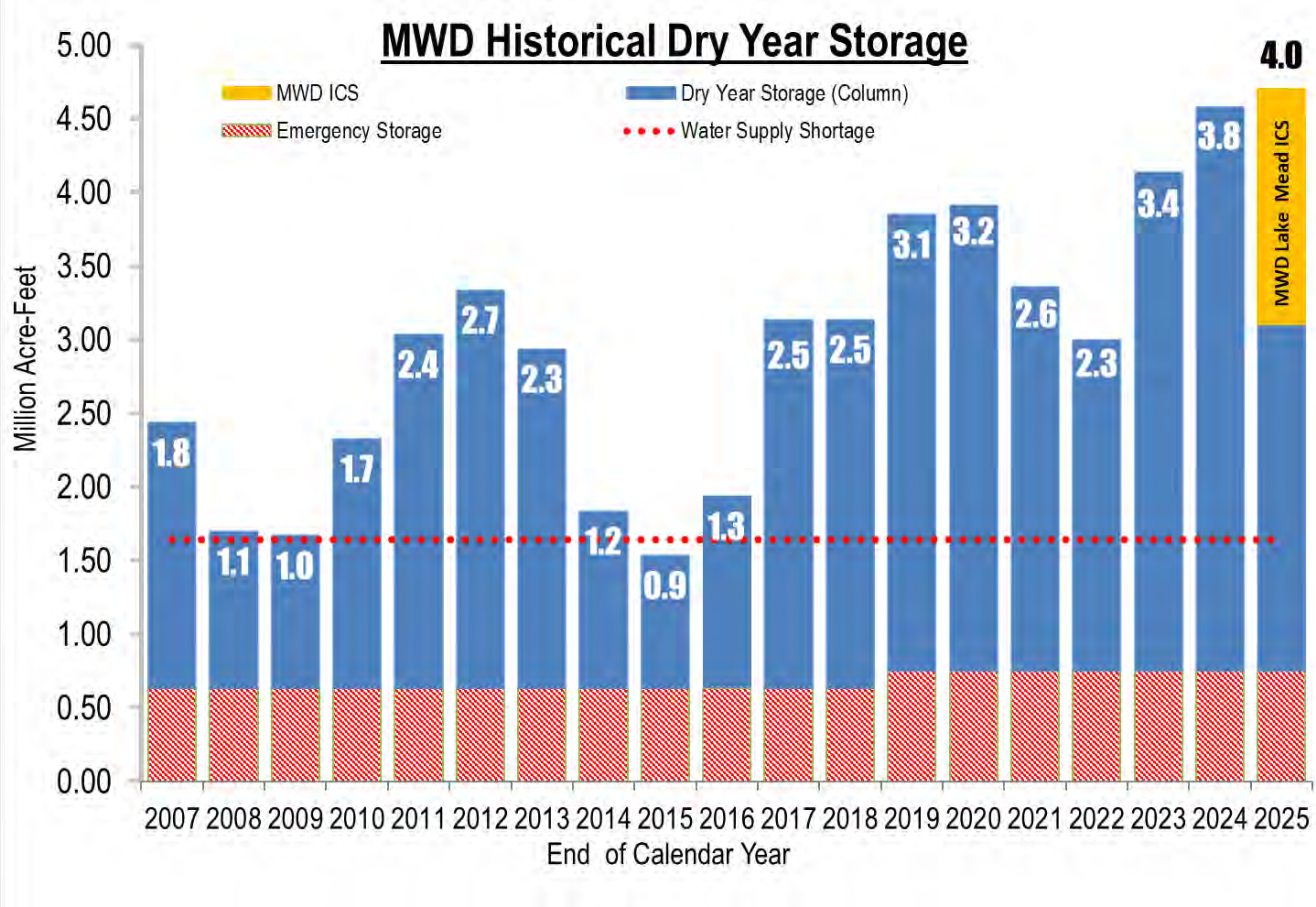
The Upper Colorado River Basin accumulated precipitation is reporting ***17.5 inches or 89% of normal as of April 27th***. On the Colorado River system, snowpack is measured across four states in the Upper Colorado River Basin. The Upper Colorado River Basin Snow Water Equivalent peaked at ***14.2 inches on March 24th***, which is ***98% of normal*** for that day. Due to the below average inflows into Lake Powell over the past several years, the United States Bureau of Reclamation **declared a shortage at Lake Mead that has been ongoing since January 1st, 2022 (Below 1,075 feet storage level)**. As of April 2025, **there is a 93% chance of shortage continuing in CY 2026, a 57% chance in CY 2027 and a 53% chance in CY 2028. In addition, there is a 7% chance of a California (Below 1,045 feet storage level) shortage in 2027.**

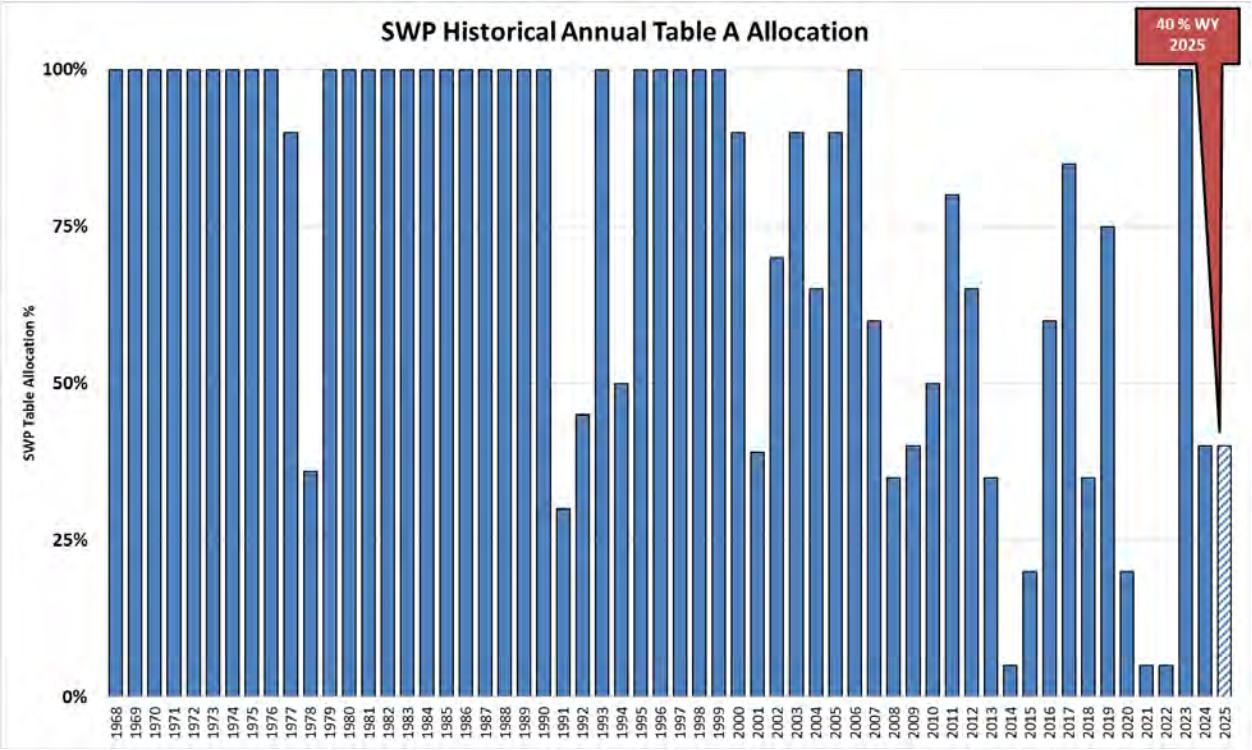
As of April 28th Lake Oroville storage is at ***95% of total capacity and 120% of normal.*** As of April 28th San Luis Reservoir has a current volume of ***83% of the reservoir's total capacity and is 101% of normal.***

With CY 2025 estimated total demands and losses of 1.453 million acre-feet (MAF) and with a 50% SWP Table A Allocation, Metropolitan is projecting that supplies will exceed demand levels in Calendar Year (CY) 2025. Based on this, estimated total dry-year storage for Metropolitan at the end of ***CY 2025 will remain at approximately 4.0 MAF.***

A projected dry-year storage supply of ***4.0 MAF would be approximately 3.0 MAF from a typical level where Metropolitan's goes into Water Supply Allocations.*** A large factor in maintaining a high water storage level are lower than expected water demands***.*** We are seeing regional water demands reaching a 40-year low. **However, *with a majority of MWD's water supplies stored in Lake Mead and with still a 5-year shortage projection at Lake Mead, there remains a lot of uncertainty about where supply balances will be in the future. In addition, Colorado River Basin States have been meeting for months to negotiate new post 2026 operations at Glen Canyon Dam at Lake Powell and Hoover Dam at Lake Mead.***


CURRENT CONDITIONS: MAJOR WATER SUPPLY RESERVOIRS:28-APR-2025
Data as of Midnight: 28-Apr-2025
Change Date: 28-Apr-2025
LEGEND
Blue Bar: Storage level for date
Gold Bar: Total reservoir capacity
Green Line: Historic level for date.
Capacity (TAF)
Historical Avg Mark
% of Capacity | % Hist. Avg.
(Click res. 3 char. code for details)
Shasta
97% | 115%
Oroville
95% | 120%
New Bullards Bar
94% | 112%
Folsom
92% | 126%
Data from: 04/27
Camanche
81% | 125%
Trinity
90% | 116%
New Melones
83% | 134%
Data from: 04/27
Don Pedro
88% | 116%
Sonoma
69% | 111%
San Luis
83% | 101%
Data from: 04/27
McClure
83% | 143%
Data from: 04/27
Cachuma
87% | 114%
Casitas
96% | 116%
Castaic
83% | 96%
Diamond Valley
96% | 128%
Millerton
82% | 116%
Pine Flat
76% | 130%
Hist Avg


MWD Historical Dry Year Storage
MWD ICS
Dry Year Storage (Column)
Emergency Storage
Water Supply Shortage
Million Acre-Feet
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
1.8
1.1
1.0
1.7
2.4
2.7
2.3
1.2
0.9
1.3
2.5
2.5
3.1
3.2
2.6
2.3
3.4
3.8
4.0
MWD Lake Mead ICS
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
End of Calendar Year


SWP Historical Annual Table A Allocation
40 % WY 2025
SWP Table Allocation %
100%
75%
50%
25%
0%
1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

2025 WSDM Storage Detail

WSDM Storage	1/1/2025 Estimated Storage Levels [1]	CY 2025 Maximum Put Capacity [2]	2025 Total Storage Capacity
Colorado River Aqueduct Delivery System	**1,596,000**	**26,000**	**1,622,000**
Lake Mead ICS	1,596,000 [3]	26,000	1,622,000 [3]
State Water Project System	**1,163,000**	**322,000**	**2,338,000**
MWD & DWCV Carryover	380,000	149,000	529,000 [4]
MWD Articles 14(b) and 12(e)	3,000 [5]	0	0
Castaic and Perris DWR Flex Storage	219,000	0	219,000
Arvin-Edison Storage Program	100,000	0 [6]	350,000
Semitropic Storage Program	227,000	70,000	350,000
Kern Delta Storage Program	142,000	50,000	250,000
Mojave Storage Program	19,000	0	330,000
AVEK Storage Program	27,000	0	30,000
AVEK High Desert Water Bank Program	45,000	53,000	280,000
In-Region Supplies and WSDM Actions	**1,060,000**	**85,000**	**1,246,000**
Diamond Valley Lake	788,000	22,000	810,000
Lake Mathews and Lake Skinner	188,000	38,000	226,000
Conjunctive Use Programs (CUP)	84,000	25,000	210,000 [7]
Other Programs	**762,000**	**245,000**	**1,181,000**
Other Emergency Storage	381,000	0	381,000
DWCV Advanced Delivery Account	381,000	245,000	800,000
Total	**4,581,000**	**678,000**	**6,387,000**
Emergency	750,000	0	750,000
Total WSDM Storage (AF) [8]	**3,831,000**	**678,000**	**5,637,000**

[1] Preliminary start of year balances, subject to DWR adjustments and USBR final accounting in May 2025.

[2] Put capacity assumed under a 35 percent SWP Table A Allocation. Storage program losses included where applicable.

[3] This amount is net of the water Metropolitan stored for IID in Lake Mead in an ICS sub-account.

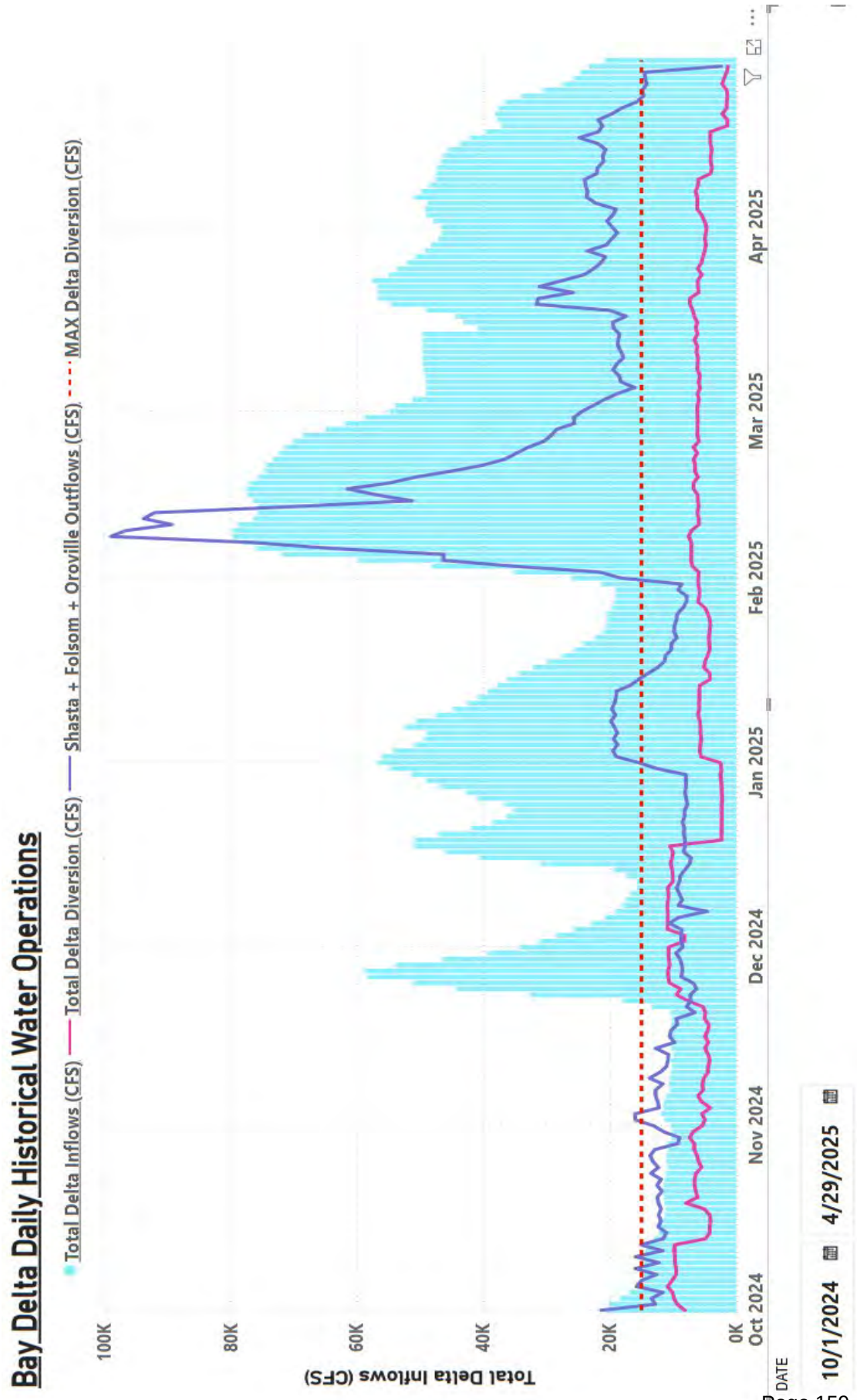
[4] Total storage capacity varies year-to-year as the contractual annual storage limit, based on the SWP Table A allocation, is combined with the remaining balance from the previous year. There is a potential risk that Metropolitan's stored water be converted to SWP contractor water if San Luis Reservoir approaches full capacity.

[5] DWR has approved carryover supplies under Article 14 (b) of the State Water Project Contract for delivery in 2025.

[6] Puts are limited due to water quality considerations.

[7] Total of all CUP programs including IEUA/TVMWD (Chino Basin); Long Beach (Central Basin); Long Beach (Lakewood); Foothill (Raymond and Monk Hill); MWDOC (Orange County Basin); Three Valleys (Live Oak); Three Valleys (Upper Claremont); and Western.

[8] Total WSDM Storage level subject to change based on accounting adjustments. Total may not sum due to rounding.


Bay Delta Daily Historical Water Operations
Total Delta Inflows (CFS)
Total Delta Diversion (CFS)
Shasta + Folsom + Oroville Outflows (CFS)
MAX Delta Diversion (CFS)
Total Delta Inflows (CFS)
100K
80K
60K
40K
20K
0K
Oct 2024
Nov 2024
Dec 2024
Jan 2025
Feb 2025
Mar 2025
Apr 2025
DATE
10/1/2024
4/29/2025

ISSUE BRIEF #C

SUBJECT: MET's Water Quality Update

RECENT ACTIVITY

The Metropolitan Water District of Southern California

Weekly Operations Plan

For additional information, please contact James Bodnar at (213) 217-6099

04/24/2025 - 05/01/2025

Colorado River Aqueduct:
6-pump flow

Hydroelectric Generation:
0.0 MW
0 plant(s) in operation

0 (0 – 15)

Total System Demands
5,410 AF/Day

Change in Total System Demands*
▲ 1120 AF/Day

Forecast
April
Deliveries
124 TAF

East Branch SPW Imports

Rialto Pipeline	720 AF/day	▼
Santa Ana Valley Pipeline	120 AF/day	▶
Inland Feeder	0 AF/day	▼

West Branch SPW Imports

Castaic Lake	930 AF/day	▼
SCVWA (formerly CLWA)	130 AF/day	▶

Water Quality

Plant Name	Targeted Blend (% SPW) As of 4/23/2025	TDS (mg/L) As of 4/23/2025	TTHMs (µg/L) As of 3/17/2025
Weymouth	25	523	26.0
Diemer	25	547	22.0
Skinner	35	475	37.0
Jensen	100	298	10.0
Mills	100	211	68.0

Terminal Reservoirs

as of 4/23/2025

Lake Mathews
152,300 AF
▲ 3,300 AF*
84%

Lake Skinner
28,400 AF
▲ 1,900 AF*
65%

Diamond Valley Lake
782,000 AF
▼ -300 AF*
97%

* = data from 4/17/2025

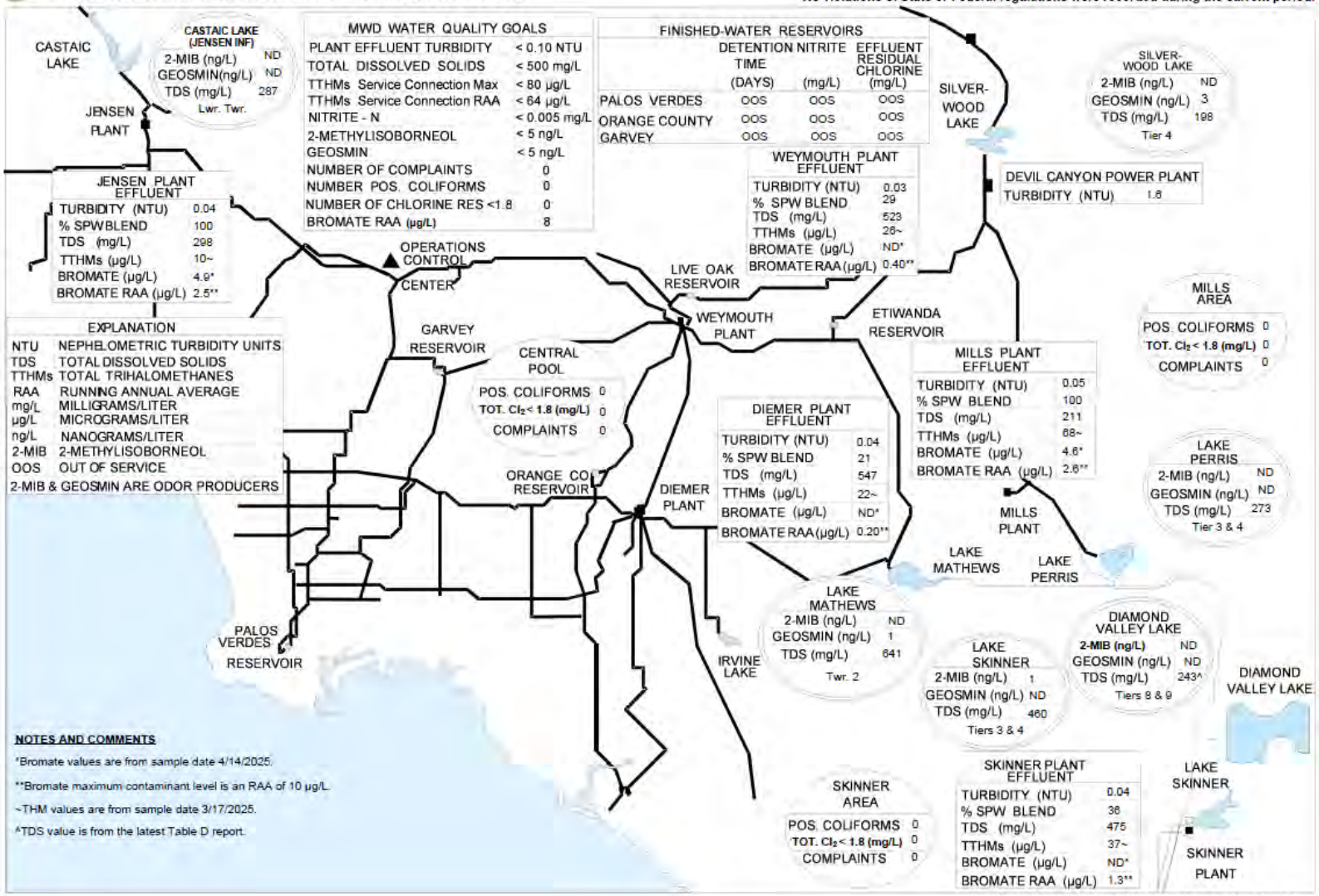
Weekly Water Quality System Status

Wednesday, April 23, 2025

Generated On:4/23/2025 2:28:30 PM

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

No violations of State or Federal regulations were recorded during the current period.



WATER QUALITY INFORMATION LINE: (800) 354-4420
VISIT MWD ON THE WEB AT http://www.mwdh2o.com

ISSUE BRIEF #D

SUBJECT: Colorado River Issues

RECENT ACTIVITY

State Department Announcement Canceling Delivery of Colorado River Water to Tijuana

Metropolitan, in coordination with San Diego County Water Authority and Otay Water District, regularly makes water deliveries to Tijuana according to the terms of Treaty Minute 327 and a domestic agreement among Metropolitan, San Diego County Water Authority and Otay Water District. Although these deliveries are called “emergency,” they are common and have been made for planned events like maintenance outages and unplanned events like leaks. On March 20, 2025, the State Department’s Bureau of Western Hemisphere Affairs announced that: “Mexico’s continued shortfalls in its water deliveries under the 1944 water-sharing treaty are decimating American agriculture—particularly farmers in the Rio Grande Valley. As a result, today for the first time, the United States will deny Mexico’s non-treaty request for a special delivery channel for Colorado River water to be delivered to Tijuana.” Following the Bureau of Western Hemisphere Affairs’ announcement, the U.S. Section of the International Boundary and Water Commission (IBWC) sent a notice to Metropolitan that Minute 327 deliveries for April will not resume as originally requested. The 1944 United States-Mexico Treaty governs both the Colorado River and the Rio Grande, but until this action, the U.S. Section of IBWC administered the two rivers separately. The Rio Grande flows north into the U.S., and Mexico has been unable to meet its obligation to make deliveries from the Rio Grande tributaries to the U.S. in the past, but that has not been a basis for denying deliveries of Colorado River water to Mexico. Metropolitan staff will provide future updates to the Board as the issue unfolds.

ISSUE BRIEF #E

SUBJECT: Delta Conveyance Activities and State Water Project Issues

RECENT ACTIVITY

Delta Conveyance

The Department of Water Resources (DWR) public comment period for the Delta Conveyance Project's Community Benefits Program titled Discussion Draft Implementation Plan and Guidelines concluded on March 3, 2025.

Delta Conveyance-related Joint Powers Authorities

The Delta Conveyance Design and Construction Authority (DCA) communications team has launched a new tool to highlight key activities and milestones of the Delta Conveyance Project. This resource, the DCA Digest, will be available on the DCA website and shared across social media. The first issue for March 2025 is out now.

At the February 20, 2025, DCA Board of Directors meeting, the DCA Board adopted a Health, Safety, and Security Policy intended to apply to both the current planning and future implementation phases of the Delta Conveyance Project.

Sites Reservoir

At the Joint Reservoir Committee and Sites Authority Board meeting on February 21, 2025, the Reservoir Committee and the Authority Board made some leadership decisions, re-electing several members to key positions. Fritz Durst, representing Reclamation District 108, remains as Chairman of the Authority Board, and Jeff Sutton, representing Glenn-Colusa Irrigation District, remains as the Vice Chair of the Authority Board.

Science Activities

Metropolitan staff participated in the Adaptive Management Summer/Fall Habitat Structured Decision-Making Analysis facilitated by USGS. The objective of this analysis was to quantify the costs and benefits of different actions that could be implemented in the Summer and Fall of 2025.

Delta Island Activities

Metropolitan staff submitted the draft of the Statutory Exemption for Restoration Projects (SERP) application for the Webb Tract Wetland Restoration Project to the California Department of Fish and Wildlife for comment. Metropolitan staff received 60 percent of the design drawings for the Webb Tract Wetland Restoration Project. Bay Delta Resources, Engineering, Construction Management, and Environmental Planning have provided a

review. Staff responded to questions for the Webb Tract Rice Conversion Project Request for Proposals. Proposals were due March 21.

Summary Report for
The Metropolitan Water District of Southern California
Board Meeting
April 8, 2025

CONSENT CALENDAR OTHER ITEMS - ACTION

Nominated and Elected nonofficer member of the Executive Committee for remaining two-year term effective April 8, 2025: Fred Jung. **(Agenda Item 6B)**

Approved and appointed Committee Assignments for Director Gretchen Shepherd Romey to the Legislation and Communications Committee and One Water and Adaptation Committee. **(Agenda Item 6C)**

CONSENT CALENDAR ITEMS – ACTION

Authorized an increase of $1.0 million to a professional services agreement with GridSME for a new not-to exceed total amount of $1.245 million for electric transmission planning and NERC-related electric reliability compliance services. **(Agenda Item 7-1)**

Authorized an agreement with Red8 in an amount not to exceed $850,000 for the implementation of the Data Storage Infrastructure Refresh project. **(Agenda Item 7-2)**

Authorized an agreement with Metal Toad Media, Inc. for a new fixed cost of $299,000 per year with a not-to-exceed amount of $996,200 for the duration of the three-year agreement to host, manage, and maintain Metropolitan's external websites. **(Agenda Item 7-3)**

Authorized an increase of $3.3 million to an existing agreement with Stantec Consulting Services Inc. for a new not-to-exceed total amount of $4.99 million for final design of a mechanical dewatering facility at the Joseph Jensen Water Treatment Plant. **(Agenda Item 7-4)**

Authorized an amendment to a reimbursable agreement with BH Luxury Residences LLC to provide design review and inspection-related to activities for the relocation of the Santa Monica Feeder. **(Agenda Item 7-5)**

Approved Climate Adaptation Master Plan for Water Five-Year Implementation Strategy. **(Agenda Item 7-6)**

Adopted resolutions fixing and adopting a Readiness-to-Serve Charge and a Capacity Charge for calendar year 2026. **(Agenda Item 7-7)**

Approved amendments to the Metropolitan Water District Administrative Code to conform oversight of the General Auditor and Audit Department duties and responsibilities to the current committee structure, streamline reporting on professional services agreement, and make a minor non-substantive change. **(Agenda Item 7-8)**

Approved the attached salary schedule. **(Agenda Item 7-10)**

Authorized the General Manager to extend California Contractor Forbearance for Intentionally Created Surplus. **(Agenda Item 7-11)**

Authorized the General Manager to terminate the Foothill Area Conjunctive Use Program Agreement. **(Agenda Item 7-12)**

Authorized the General Manager to terminate the Live Oak Basin Conjunctive Use Program Agreement. **(Agenda Item 7-13)**

Authorized the General Manager to terminate the Long Beach Conjunctive Use Program Agreement. **(Agenda Item 7-14)**

Authorized the General Manager to terminate the Long Beach Expansion into Lakewood Conjunctive Use Program Agreement. **(Agenda Item 7-15)**

Authorized the General Manager to terminate the Orange County Conjunctive Use Program Agreement. **(Agenda Item 7-16)**

Authorized the General Manager to terminate the Compton Conjunctive Use Program Agreement. **(Agenda Item 7-17)**

Authorized the General Counsel to increase the amount payable under contract with outside counsel Liebert, Cassidy Whitmore, in the amount of $200,000 for a total amount not to exceed $450,000. **(Agenda Item 7-18)**

OTHER BOARD ITEMS - ACTION

Adopted the CEQA determination that the proposed action was previously addressed in the certified 2024 Final Environmental Impact Report and related documentation, and that no further environmental analysis or documentation is required and authorized an increase of $12.4 million to an agreement with La Cañada Design Group Inc. for a new not-to-exceed total amount of $16.8 million for final design to upgrade the Michael J. McGuire Water Quality Laboratory. **(Agenda Item 8-1)**

Authorized an increase in the maximum amount payable under contract for legal services with Seyfarth Shaw LLP, in the amount of $250,000 for a total amount not to exceed $750,000. **(Agenda Item 8-2)**

THIS INFORMATION SHOULD NOT BE CONSIDERED THE OFFICIAL MINUTES OF THE MEETING.

All current month materials, and materials after July 1, 2021 are available on the public website here: https://mwdh2o.legistar.com/Calendar.aspx

This database contains archives from the year 1928 to June 30, 2021: https://bda.mwdh2o.com/Pages/Default.aspx

The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

Board of Directors - Final

May 13, 2025

12:00 PM

Tuesday, May 13, 2025 Meeting Schedule
08:00 a.m. FAAME 10:30 a.m. CWC 11:30 a.m. Break 12:00 p.m. BOD

Written public comments received by 5:00 p.m. the business day before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here: https://mwdh2o.legistar.com/Legislation.aspx.

The listen-only phone line is available at 1-877-853-5257; enter meeting ID: 891 1613 4145.

Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via teleconference and in-person. To provide public comment by teleconference dial 1-833-548-0276 and enter meeting ID: 815 2066 4276 or to join by computer click here.

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012
Teleconference Locations:
Portola Hotel • Two Portola Plaza, Executive Boardroom • Monterey, CA 93940
City Hall • 303 W. Commonwealth Avenue • Fullerton, CA 92832
8705 Gracie Allen Drive • Los Angeles, CA 90048
Santa Ana City Hall • 20 Civic Center Plaza • Santa Ana, CA 92701
3008 W. 82nd Place • Inglewood, CA 90305

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1. Call to Order

a. Invocation: TBD

b. Pledge of Allegiance: TBD

2. Roll Call

3. Determination of a Quorum

4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code §54954.3(a))

PUBLIC HEARING

a. Public Hearing to receive staff and recognized employee organizations presentations on the status of job vacancies and recruitment/retention efforts, as required by Government Code § 3502.3 (Assembly Bill 2561), and to receive public comment **21-4537**

5. OTHER MATTERS AND REPORTS

A. Report on Directors' Events Attended at Metropolitan's Expense **21-4478**

Attachments: 05132025 BOD 5A Report.pdf

B. Chair's Monthly Activity Report **21-4479**

C. General Manager's summary of activities **21-4480**

D. General Counsel's summary of activities **21-4481**

E. General Auditor's summary of activities **21-4482**

F. Ethics Officer's summary of activities **21-4483**

**** CONSENT CALENDAR ITEMS -- ACTION ****

6. CONSENT CALENDAR OTHER ITEMS - ACTION

A. Approval of the Minutes of the Board of Directors Meeting for April 8, 2025 **21-4484**

B. Approve Committee Assignments

7. CONSENT CALENDAR ITEMS - ACTION

7-1 Approve amending the list of Metropolitan officials required to take AB 1234 state ethics training to include all Form 700 filers; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (CWC) **21-4485**

7-2 Amend the Capital Investment Plan for Fiscal Years 2024/25 and 2025/26 to include the ozone contactor expansion joint improvements at the F.E. Weymouth Water Treatment Plant; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT) **21-4490**

Attachments: 05132025 EOT 7-2 B-L.pdf

7-3 Authorize on-call agreements with Hazen and Sawyer, Jacobs Engineering Group, Inc., and Mott MacDonald Group Inc. in amounts not to exceed $1 million each to support engineering planning for water system resiliency and energy planning projects; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT) **21-4492**

Attachments: 05132025 EOT 7-3 B-L.pdf

7-4 Award a $457,498 construction contract to IPI Construction to upgrade the heating, ventilation, and air conditioning systems in the control rooms at the Joseph Jensen Water Treatment Plant; the General Manager has determined that the proposed action is categorically exempt or otherwise not subject to CEQA (EOT) **21-4493**

7-5 Approve and authorize the distribution of Appendix A for use in the issuance and remarketing of Metropolitan's Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FAAME) **21-4494**

7-6 Authorize an amendment to LRP Agreement to extend the start of operation deadline for San Diego Pure Water North City Project Phase 1; adopt CEQA determination that the proposed action was previously addressed in the City of San Diego's adopted 2018 Final EIR/EIS and that no further CEQA review is required (OWA) **21-4499**

Attachments: 05132025 OWA 7-6 B-L.pdf

**** END OF CONSENT CALENDAR ITEMS ****

8. OTHER BOARD ITEMS - ACTION

8-1 Award a $131 million procurement contract to Siemens Energy Inc. to furnish 35 high voltage power transformers; authorize the General Manager to execute change orders for the CRA transformer procurement contract up to an aggregate amount not to exceed $42.5 million; and authorize an increase of $6.5 million to an agreement with HDR Engineering Inc. for a new not-to-exceed amount of $8.2 million for final design services to replace the high-voltage transformers at the five CRA pumping plants; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT) **21-4489**

Attachments: 05132025 EOT 8-1 B-L.pdf

8-2 Adopt resolution that (1) authorizes the execution and delivery of an amended and restated agreement between Antelope Valley-East Kern Water Agency and Metropolitan for the High Desert Water Bank Program, (2) approves the project financing, and (3) authorizes the General Manager and the Assistant General Manager/Chief Financial Officer and Treasurer to negotiate, execute, and deliver various related agreements and documents; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FAAME) **21-4495**

8-3 Adopt a resolution authorizing a master equipment lease-purchase program of up to $35 million outstanding balance from time to time and providing for related documents and actions; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FAAME) **21-4496**

8-4 Adopt resolution to continue Metropolitan's Water Standby Charge for fiscal year 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FAAME) **21-4497**

8-5 Authorize the General Manager to amend the Delivery and Exchange Agreement between Metropolitan and Coachella for 35,000 acre-feet; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (OWA) **21-4498**

Attachments: 05132025 OWA 8-5 B-L.pdf

9. BOARD INFORMATION ITEMS

9-1 Report on Conservation Program **21-4488**

Attachments: 05132025 BOD 9-1 Report.pdf

9-2 Report on status of job vacancies and recruitment/retention efforts as required by Government Code § 3502.3 (Assembly Bill 2561) (CWC) **21-4487**

9-3 Recurrent Category E Employment Work Schedule Pilot Program Status Update and Next Steps (OPE) **21-4486**

9-4 Renewal Status of Metropolitan's Property and Casualty Insurance Program (FAAME) **21-4536**

Attachments: 05132025 FAM 9-4 B-L.pdf

9-5 Colorado River Aqueduct High Voltage Transmission System – Affected Systems Mitigation Agreements (EOT) **21-4491**

Attachments: 05132025 EOT 9-5 B-L.pdf

10. OTHER MATTERS

NONE

11. FOLLOW-UP ITEMS

NONE

12. FUTURE AGENDA ITEMS

13. ADJOURNMENT

NOTE: Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parenthesis at the end of the description of the agenda item, e.g. (EOT). Board agendas may be obtained on Metropolitan's Web site https://mwdh2o.legistar.com/Calendar.aspx

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site https://mwdh2o.legistar.com/Calendar.aspx.

Requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.