ATTACHMENT C

The City of Newport Beach
REDUCED DELTA RELIANCE REPORTING

C.1 Background

Under the Sacramento-San Joaquin Delta Reform Act of 2009, state and local public agencies proposing a covered action in the Delta, prior to initiating the implementation of that action, must prepare a written certification of consistency with detailed findings as to whether the covered action is consistent with applicable Delta Plan policies and submit that certification to the Delta Stewardship Council. Anyone may appeal a certification of consistency, and if the Delta Stewardship Council grants the appeal, the covered action may not be implemented until the agency proposing the covered action submits a revised certification of consistency, and either no appeal is filed, or the Delta Stewardship Council denies the subsequent appeal.

An urban water supplier that anticipates participating in or receiving water from a proposed covered action such as a multi-year water transfer, conveyance facility, or new diversion that involves transferring water through, exporting water from, or using water in the Delta should provide information in their 2015 and 2020 Urban Water Management Plans (UWMPs) that can then be used in the covered action process to demonstrate consistency with Delta Plan Policy WR P1, Reduce Reliance on the Delta Through Improved Regional Water Self-Reliance (WR P1).

WR P1 details what is needed for a covered action to demonstrate consistency with reduced reliance on the Delta and improved regional self-reliance. WR P1 subsection (a) states that:

(a) Water shall not be exported from, transferred through, or used in the Delta if all of the following apply:

> *(1) One or more water suppliers that would receive water as a result of the export, transfer, or use have failed to adequately contribute to reduced reliance on the Delta and improved regional self-reliance consistent with all of the requirements listed in paragraph (1) of subsection (c);*
>
> *(2) That failure has significantly caused the need for the export, transfer, or use; and*
>
> *(3) The export, transfer, or use would have a significant adverse environmental impact in the Delta.*

WR P1 subsection (c)(1) further defines what adequately contributing to reduced reliance on the Delta means in terms of (a)(1) above.

(c)(1) Water suppliers that have done all the following are contributing to reduced reliance on the Delta and improved regional self-reliance and are therefore consistent with this policy:

> *(A) Completed a current Urban or Agricultural Water Management Plan (Plan) which has been reviewed by the California Department of Water Resources for compliance with the applicable requirements of Water Code Division 6, Parts 2.55, 2.6, and 2.8;*
>
> *(B) Identified, evaluated, and commenced implementation, consistent with the implementation schedule set forth in the Plan, of all programs and projects included in the Plan that are locally cost effective and technically feasible which reduce reliance on the Delta; and*
>
> *(C) Included in the Plan, commencing in 2015, the expected outcome for measurable reduction in Delta reliance and improvement in regional self-reliance. The expected outcome for measurable reduction in Delta reliance and improvement in regional self- reliance shall be reported in the Plan as the reduction in the amount of water used, or in the percentage of water used, from the Delta watershed. For the purposes of reporting, water efficiency is considered a new source of water supply, consistent with Water Code section 1011(a).*

The analysis and documentation provided below include all of the elements described in WR P1(c)(1) that need to be included in a water supplier's UWMP to support a certification of consistency for a future covered action.

C.2 Summary of Expected Outcomes for Reduced Reliance on the Delta

As stated in WR P1 (c)(1)(C), the policy requires that, commencing in 2015, UWMPs include expected outcomes for measurable reduction in Delta reliance and improved regional self- reliance. WR P1 further states that those outcomes shall be reported in the UWMP as the reduction in the amount of water used, or in the percentage of water used, from the Delta.

The expected outcomes for the City of Newport Beach's (hereafter referred to as 'City') regional self-reliance were developed using the approach and guidance described in Appendix C of DWR's Urban Water Management Plan Guidebook 2020 – Final Draft (Guidebook Appendix C) issued in March 2021. The data used in this analysis represent the total regional efforts of Metropolitan, the city, and its member agencies and were developed in conjunction with Metropolitan as part of the UWMP coordination process.

The following provides a summary of the near-term (2025) and long-term (2045) expected outcomes for the city's Delta reliance and regional self-reliance. The results show that as a region, the City, Metropolitan, and its member agencies are measurably reducing reliance on the Delta and improving regional self-reliance, both as an amount of water used and as a percentage of water used.

Expected Outcomes for Regional Self-Reliance for the City

- Near-term (2025) – Normal water year regional self-reliance is expected to increase by 8,328 AF from the 2010 baseline; this represents an increase of about 42.0 percent of 2025 normal water year retail demands (Table C-2).
- Long-term (2040) – Normal water year regional self-reliance is expected to increase by nearly 9,016 AF from the 2010 baseline, this represents an increase of about 44.6 percent of 2045 normal water year retail demands (Table C-2).

C.3 Demonstration of Reduced Reliance on the Delta

The methodology used to determine the City's reduced Delta reliance and improved regional self-reliance is consistent with the approach detailed in DWR's UWMP Guidebook Appendix C, including the use of narrative justifications for the accounting of supplies and the documentation of specific data sources. Some of the key assumptions underlying the City's demonstration of reduced reliance include:

- All data were obtained from the current 2020 UWMP or previously adopted UWMPs and represent average or normal water year conditions.
- All analyses were conducted at the service area level, and all data reflect the total contributions of the City and MWDOC, in conjunction with information provided by Metropolitan.
- No projects or programs that are described in the UWMPs as "Projects Under Development" were included in the accounting of supplies.

Baseline and Expected Outcomes

In order to calculate the expected outcomes for measurable reduction in Delta reliance and improved regional self-reliance, a baseline is needed to compare against. This analysis uses a normal water year representation of 2010 as the baseline, which is consistent with the approach described in the Guidebook Appendix C. Data for the 2010 baseline were taken from the city's 2005 UWMP as the UWMPs generally do not provide normal water year data for the year that they are adopted (i.e., 2005 UWMP forecasts begin in 2010, 2010 UWMP forecasts begin in 2015, and so on).

Consistent with the 2010 baseline data approach, the expected outcomes for reduced Delta reliance and improved regional self-reliance for 2015 and 2020 were taken from the City's 2010 and 2015 UWMPs respectively. Expected outcomes for 2025-2040 are from the current 2020 UWMP. Documentation of the specific data sources and assumptions are included in the discussions below.

Service Area Demands without Water Use Efficiency

In alignment with the Guidebook Appendix C, this analysis uses normal water year demands, rather than normal

water year supplies to calculate expected outcomes in terms of the percentage of water used. Using normal water year demands serves as a proxy for the amount of supplies that would be used in a normal water year, which helps alleviate issues associated with how supply capability is presented to fulfill requirements of the UWMP Act versus how supplies might be accounted for to demonstrate consistency with WR P1.

Because WR P1 considers water use efficiency savings a source of water supply, water suppliers such as the City need to explicitly calculate and report water use efficiency savings separate from service area demands to properly reflect normal water year demands in the calculation of reduced reliance. As explained in the Guidebook Appendix C, water use efficiency savings must be added back to the normal year demands to represent demands without water use efficiency savings accounted for; otherwise the effect of water use efficiency savings on regional self-reliance would be overestimated. Table C-1 shows the results of this adjustment for the City. Supporting narratives and documentation for the all of the data shown in Table C-1 are provided below.

Table C -1 – Calculation of Water Use Efficiency

Service Area Water Use Efficiency Demands	2010	2015	2020	2025	2030	2035	2040
Service Area Water Demands with Water Use Efficiency	18,801	17,023	15,685	14,324	14,829	14,975	15,140
Non-Potable Water Demands	-	450	545	542	542	542	542
Potable Service Area Demands with Water Use Efficiency	18,801	16,573	15,140	13,782	14,287	14,433	14,597

Total Service Area Population	2010	2015	2020	2025	2030	2035	2040
Service Area Population	62,973	63,229	61,916	64,273	65,015	65,397	65,360

Water Use Efficiency Since Baseline	2010	2015	2020	2025	2030	2035	2040
Per Capita Water Use (GPCD)	267	234	218	191	196	197	199
Change in Per Capita Water Use from Baseline (GPCD)		(33)	(48)	(75)	(70)	(70)	(67)
Estimated Water Use Efficiency Since Baseline		2,304	3,345	5,407	5,123	5,092	4,916

Total Service Area Water Demands	2010	2015	2020	2025	2030	2035	2040
Service Area Water Demands with Water Use Efficiency	18,801	17,023	15,685	14,324	14,829	14,975	15,140
Estimated Water Use Efficiency Since Baseline		2,304	3,345	5,407	5,123	5,092	4,916
Service Area Water Demands without Water Use Efficiency	18,801	19,327	19,030	19,731	19,953	20,067	20,056

Service Area Demands with Water Use Efficiency

The service area demands shown in Table C-1 represent the total retail water demands for the City's service area and may include municipal and industrial demands, agricultural demands, recycled, seawater barrier demands, and storage replenishment demands. These demand types and the modeling methodologies used to calculate them are described in Section 4-3 of the City's UWMP.

Non-Potable Water Demands

Any non-potable water demands shown in Table C-1 represent demands for non-potable recycled water, water used for purposes such as surface reservoir storage, and replenishment water for groundwater basin recharge and sweater barrier demands. Additionally, non-potable supplies have a demand hardening effect due to the inability to shift non-potable supplies to meet potable water demands. When water use efficiency or conservation measures are implemented, they fall solely on the potable water users. This is consistent with the approach for water conservation reporting used by the State Water Resources Control Board.

Total Service Area Population

The City's total service area population as shown in Table C-1 come from the Center for Demographic Research, with actuals and projections further described in Section 3.4 of the City's 2020 UWMP.

Water Use Efficiency Since Baseline

The water use efficiency numbers shown in Table C-1 represent the formulation that City utilized, consistent with Appendix C of the UWMP Guidebook approach.

Service area demands, excluding non-potable demands, are divided by the service area population to get per capita water use in the service area in gallons per capita per day (GPCD) for each five-year period. The change in per capita water use from the baseline is the comparative GPCD from that five-year period compared to the 2010 baseline. Changes in per capita water use over time are then applied back to the City's service area population to calculate the estimated WUE Supply. This estimated WUE Supply is considered an additional supply that may be used to show reduced reliance on Delta water supplies.

The demand and water use efficiency data shown in Table C-1 were collected from the following sources:

- Baseline (2010) values – City's 2005 UWMP
- 2015 values – City's 2010 UWMP
- 2020 values – City's 2015 UWMP
- 2025-2040 values – City's 2020 UWMP

It should be noted that the results of this calculation differ from what the City calculated under section 5.2 pertaining to the Water Conservation Act of 2009 (SB X7-7) due to differing formulas.

C.4 Supplies Contributing to Regional Self-Reliance

For a covered action to demonstrate consistency with the Delta Plan, WR P1 subsection (c)(1)(C) states that water suppliers must report the expected outcomes for measurable improvement in regional self-reliance. Table C-2 shows expected outcomes for supplies contributing to regional self-reliance both in amount and as a percentage. The numbers shown in Table C-2 represent efforts to improve regional self-reliance for the City's entire service area and include the total contributions of the City. Supporting narratives and documentation for the all of the data shown in Table C-2 are provided below.

The results shown in Table C-2 demonstrate that the City's service area is measurably improving its regional self-reliance. In the near-term (2025), the expected outcome for normal water year regional self-reliance increases by 8,328 AF from the 2010 baseline; this represents an increase of about 42.0 percent of 2025 normal water year retail demands. In the long-term (2040), normal water year regional self-reliance is expected to increase by more than 9,016 AF from the 2010 baseline; this represents an increase of about 44.6 percent of 2040 normal water year retail demands.

Table C-2 – Supplies Contributing to Regional Self Reliance

Water Supplies Contributing to Regional Self-Reliance (Acre-Feet)	2010	2015	2020	2025	2030	2035	2040
Water Use Efficiency	-	2,304	3,345	5,407	5,123	5,092	4,916
Water Recycling	432	492	513	542	542	542	542
Stormwater Capture and Use							
Advanced Water Technologies	570	2,522	3,411	3,381	4,466	4,510	4,559
Conjunctive Use Projects							
Local and Regional Water Supply and Storage Projects							
Other Programs and Projects the Contribute to Regional Self-Reliance							
Water Supplies Contributing to Regional Self-Reliance	1,002	5,318	7,269	9,330	10,132	10,144	10,018

Service Area Water Demands without Water Use Efficiency	2010	2015	2020	2025	2030	2035	2040
Service Area Water Demands without Water Use Efficiency	18,801	19,327	19,030	19,731	19,953	20,067	20,056

Change in Regional Self Reliance (Acre-Feet)	2010	2015	2020	2025	2030	2035	2040
Water Supplies Contributing to Regional Self-Reliance	1,002	5,318	7,269	9,330	10,132	10,144	10,018
Change in Water Supplies Contributing to Regional Self-Reliance		4,316	6,267	8,328	9,129	9,142	9,016

Change in Regional Self Reliance (As a Percent of Water Demand w/out WUE)	2010	2015	2020	2025	2030	2035	2040
Water Supplies Contributing to Regional Self-Reliance	5.3%	27.5%	38.2%	47.3%	50.8%	50.6%	50.0%
Change in Water Supplies Contributing to Regional Self-Reliance		22.2%	32.9%	42.0%	45.4%	45.2%	44.6%

Water Use Efficiency

The water use efficiency information shown in Table C-2 is taken directly from Table C-1 above.

Water Recycling

The water recycling values shown in Table C-2 reflect the total recycled water production in the service area as described in Section 4.3 of City's UWMP.

Advanced Water Technologies (AWT)

AWT is calculated by multiplying the estimated GW production for that year (Section 6.1 of the City's UWMP) with the percentage of Total Basin Production for that year.

C.5 Reliance on Water Supplies from the Delta Watershed

Metropolitan's service area as a whole, reduces reliance on the Delta through investments in non-Delta water supplies, local water supplies and demand management measures. Quantifying the City's investments in self-reliance, locally, regionally, and throughout Southern California is infeasible for the reasons as noted in Section C.6. Due to the regional nature of these investments, the City is relying on Metropolitan's regional accounting of measurable reductions in supplies from the Delta Watershed.

The results shown in Table A.11-3 demonstrate that Metropolitan's service area, including the City, is measurably reducing its Delta reliance. In the near-term (2025), the expected outcome for normal water year reliance on supplies from the Delta watershed decreased by 301 TAF from the 2010 baseline; this represents a decrease of 3 percent of 2025 normal water year retail demands. In the long- term (2045), normal water year reliance on supplies from the Delta watershed decreased by 314 TAF from the 2010 baseline; this represents a decrease of just over 5 percent of 2045 normal water year retail demands.

Table C-3
Metropolitan Reliance on Water Supplies from the Delta Watershed

Water Supplies from the Delta Watershed (Acre-Feet)	Baseline (2010)	2015	2020	2025	2030	2035	2040	2045
CVP/SWP Contract Supplies	1,472,000	1,029,000	984,000	1,133,000	1,130,000	1,128,000	1,126,000	1,126,000
Delta/Delta Tributary Diversions	-	-	-	-	-	-	-	-
Transfers and Exchanges of Supplies from the Delta Watershed	20,000	44,000	91,000	58,000	52,000	52,000	52,000	52,000
Other Water Supplies from the Delta Watershed	-	-	-	-	-	-	-	-
Total Water Supplies from the Delta Watershed	**1,492,000**	**1,073,000**	**1,075,000**	**1,191,000**	**1,182,000**	**1,180,000**	**1,178,000**	**1,178,000**

Service Area Demands without Water Use Efficiency (Acre-Feet)	Baseline (2010)	2015	2020	2025	2030	2035	2040	2045
Service Area Demands without Water Use Efficiency Accounted For	5,493,000	5,499,000	5,219,000	4,925,000	5,032,000	5,156,000	5,261,000	5,374,000

Change in Supplies from the Delta Watershed (Acre-Feet)	Baseline (2010)	2015	2020	2025	2030	2035	2040	2045
Water Supplies from the Delta Watershed	1,492,000	1,073,000	1,075,000	1,191,000	1,182,000	1,180,000	1,178,000	1,178,000
Change in Supplies from the Delta Watershed	**NA**	**(419,000)**	**(417,000)**	**(301,000)**	**(310,000)**	**(312,000)**	**(314,000)**	**(314,000)**
Percent Change in Supplies from the Delta Watershed (As a Percent of Demand w/out WUE)	**Baseline (2010)**	**2015**	**2020**	**2025**	**2030**	**2035**	**2040**	**2045**
Percent of Supplies from the Delta Watershed	27.2%	19.5%	20.6%	24.2%	23.5%	22.9%	22.4%	21.9%
Change in Percent of Supplies from the Delta Watershed	**NA**	**-7.6%**	**-6.6%**	**-3.0%**	**-3.7%**	**-4.3%**	**-4.8%**	**-5.2%**

C.6 Infeasibility of Accounting Supplies from the Delta Watershed for Metropolitan's Member Agencies and their Customers

Metropolitan's service area, as a whole, reduces reliance on the Delta through investments in non-Delta water supplies, local water supplies, and regional and local demand management measures. Metropolitan's member agencies coordinate reliance on the Delta through their membership in Metropolitan, a regional cooperative providing wholesale water service to its 26 member agencies. Accordingly, regional reliance on the Delta can only be measured regionally—not by individual Metropolitan member agencies and not by the customers of those member agencies.

Metropolitan's member agencies, and those agencies' customers, indirectly reduce reliance on the Delta through their collective efforts as a cooperative. Metropolitan's member agencies do not control the amount of Delta water they receive from Metropolitan. Metropolitan manages a statewide integrated conveyance system consisting of its participation in the State Water Project (SWP), its Colorado River Aqueduct (CRA) including Colorado River water resources, programs and water exchanges, and its regional storage portfolio. Along with the SWP, CRA, storage programs, and Metropolitan's conveyance and distribution facilities, demand management programs increase the

future reliability of water resources for the region. In addition, demand management programs provide system-wide benefits by decreasing the demand for imported water, which helps to decrease the burden on the district's infrastructure and reduce system costs, and free up conveyance capacity to the benefit of all member agencies.

Metropolitan's costs are funded almost entirely from its service area, with the exception of grants and other assistance from government programs. Most of Metropolitan's revenues are collected directly from its member agencies. Properties within Metropolitan's service area pay a property tax that currently provides approximately 8 percent of the fiscal year 2021 annual budgeted revenues. The rest of Metropolitan's costs are funded through rates and charges paid by Metropolitan's member agencies for the wholesale services it provides to them.[1] Thus, Metropolitan's member agencies fund nearly all operations Metropolitan undertakes to reduce reliance on the Delta, including Colorado River Programs, storage facilities, Local Resources Programs and Conservation Programs within Metropolitan's service area.

Because of the integrated nature of Metropolitan's systems and operations, and the collective nature of Metropolitan's regional efforts, it is infeasible to quantify each of Metropolitan member agencies' individual reliance on the Delta. It is infeasible to attempt to segregate an entity and a system that were designed to work as an integrated regional cooperative.

In addition to the member agencies funding Metropolitan's regional efforts, they also invest in their own local programs to reduce their reliance on any imported water. Moreover, the customers of those member agencies may also invest in their own local programs to reduce water demand. However, to the extent those efforts result in reduction of demands on Metropolitan, that reduction does not equate to a like reduction of reliance on the Delta. Demands on Metropolitan are not commensurate with demands on the Delta because most of Metropolitan member agencies receive blended resources from Metropolitan as determined by Metropolitan—not the individual member agency—and for most member agencies, the blend varies from month-to-month and year-to-year due to hydrology, operational constraints, use of storage and other factors.

Colorado River Programs

As a regional cooperative of member agencies, Metropolitan invests in programs to ensure the continued reliability and sustainability of Colorado River supplies. Metropolitan was established to obtain an allotment of Colorado River water, and its first mission was to construct and operate the CRA. The CRA consists of five pumping plants, 450 miles of high voltage power lines, one electric substation, four regulating reservoirs, and 242 miles of aqueducts, siphons, canals, conduits and pipelines terminating at Lake Mathews in Riverside County. Metropolitan owns, operates, and manages the CRA. Metropolitan is responsible for operating, maintaining, rehabilitating, and repairing the CRA, and is responsible for obtaining and scheduling energy resources adequate to power pumps at the CRA's five pumping stations.

Colorado River supplies include Metropolitan's basic Colorado River apportionment, along with supplies that result from existing and committed programs, including supplies from the Imperial Irrigation District (IID)-Metropolitan Conservation Program, the implementation of the Quantification Settlement Agreement (QSA) and related agreements, and the exchange agreement with San Diego County Water Authority (SDCWA). The QSA established the baseline water use for each of the agreement parties and facilitates the transfer of water from agricultural agencies to urban uses. Since the QSA, additional programs have been implemented to increase Metropolitan's CRA supplies. These include the PVID Land Management, Crop Rotation, and Water Supply Program, as well as the Lower Colorado River Water Supply Project. The 2007 Interim Guidelines provided for the coordinated operation of Lake Powell and Lake Mead, as well as the Intentionally Created Surplus (ICS) program that allows Metropolitan to store water in Lake Mead.

Storage Investments/Facilities

Surface and groundwater storage are critical elements of Southern California's water resources strategy and help Metropolitan reduce its reliance on the Delta. Because California experiences dramatic swings in weather and

[1] A standby charge is collected from properties within the service areas of 21 of Metropolitan's 26 member agencies, ranging from $5 to $14.20 per acre annually, or per parcel if smaller than an acre. Standby charges go towards those member agencies' obligations to Metropolitan for the Readiness-to-Serve Charge. The total amount collected annually is approximately $43.8 million, approximately 2 percent of Metropolitan's fiscal year 2021 annual budgeted revenues.

hydrology, storage is important to regulate those swings and mitigate possible supply shortages. Surface and groundwater storage provide a means of storing water during normal and wet years for later use during dry years, when imported supplies are limited. The Metropolitan system, for purposes of meeting demands during times of shortage, regulating system flows, and ensuring system reliability in the event of a system outage, provides over 1,000,000 acre-feet of system storage capacity. Diamond Valley Lake provides 810,000 acre-feet of that storage capacity, effectively doubling Southern California's previous surface water storage capacity. Other existing imported water storage available to the region consists of Metropolitan's raw water reservoirs, a share of the SWP's raw water reservoirs in and near the service area, and the portion of the groundwater basins used for conjunctive-use storage.

Since the early twentieth century, DWR and Metropolitan have constructed surface water reservoirs to meet emergency, drought/seasonal, and regulatory water needs for Southern California. These reservoirs include Pyramid Lake, Castaic Lake, Elderberry Forebay, Silverwood Lake, Lake Perris, Lake Skinner, Lake Mathews, Live Oak Reservoir, Garvey Reservoir, Palos Verdes Reservoir, Orange County Reservoir, and Metropolitan's Diamond Valley Lake (DVL). Some reservoirs such as Live Oak Reservoir, Garvey Reservoir, Palos Verdes Reservoir, and Orange County Reservoir, which have a total combined capacity of about 3,500 AF, are used solely for regulating purposes. The total gross storage capacity for the larger remaining reservoirs is 1,757,600 AF. However, not all of the gross storage capacity is available to Metropolitan; dead storage and storage allocated to others reduce the amount of storage that is available to Metropolitan to 1,665,200 AF.

Conjunctive use of the aquifers offers another important source of dry year supplies. Unused storage in Southern California groundwater basins can be used to optimize imported water supplies, and the development of groundwater storage projects allows effective management and regulation of the region's major imported supplies from the Colorado River and SWP. Over the years, Metropolitan has implemented conjunctive use through various programs in the service area; the following table lists the groundwater conjunctive use programs that have been developed in the region.

Program	Metropolitan Agreement Partners	Program Term	Max Storage AF	Dry-Year Yield AF/Yr
Long Beach Conjunctive Use Storage Project (Central Basin)	Long Beach	June 2002-2027	13,000	4,300
Foothill Area Groundwater Storage Program (Monkhill/ Raymond Basin)	Foothill MWD	February 2003-2028	9,000	3,000
Orange County Groundwater Conjunctive Use Program	MWDOC OCWD	June 2003-2028	66,000+	22,000
Chino Basin Conjunctive Use Programs	IEUA TVMWD Watermaster	June 2003-2028	100,000	33,000
Live Oak Basin Conjunctive Use Project (Six Basins)	TVMWD City of La Verne	October 2002-2027	3,000	1,000
City of Compton Conjunctive Use Project (Central Basin)	Compton	February 2005-2030	2,289	763
Long Beach Conjunctive Use Program Expansion in Lakewood (Central Basin)	Long Beach	July 2005-2030	3,600	1,200
Upper Claremont Basin Groundwater Storage Program (Six Basins)	TVMWD	Sept. 2005- 2030	3,000	1,000
Elsinore Basin Conjunctive Use Storage Program	Western MWD Elsinore Valley MWD	May 2008- 2033	12,000	4,000
TOTAL			**211,889**	**70,263**

Metropolitan Demand Management Programs

Demand management costs are Metropolitan's expenditures for funding local water resource development programs and water conservation programs. These Demand Management Programs incentivize the development of local water supplies and the conservation of water to reduce the need to import water to deliver to Metropolitan's member agencies. These programs are implemented below the delivery points between Metropolitan's and its member agencies' distribution systems and, as such, do not add any water to Metropolitan's supplies. Rather, the effect of these downstream programs is to produce a local supply of water for the local agencies and to reduce demands by member agencies for water imported through Metropolitan's system. The following discussions outline how Metropolitan funds local resources and conservation programs for the benefit of all of its member agencies and the entire Metropolitan service area. Notably, the history of demand management by Metropolitan's member agencies and the local agencies that purchase water from Metropolitan's members has spanned more than four decades. The significant history of the programs is another reason it would be difficult to attempt to assign a portion of such funding to any one individual member agency.

Local Resources Programs

In 1982, Metropolitan began providing financial incentives to its member agencies to develop new local supplies to assist in meeting the region's water needs. Because of Metropolitan's regional distribution system, these programs benefit all member agencies regardless of project location because they help to increase regional water supply reliability, reduce demands for imported water supplies, decrease the burden on Metropolitan's infrastructure, reduce system costs and free up conveyance capacity to the benefit of all the agencies that rely on water from Metropolitan.

For example, the Groundwater Replenishment System (GWRS) operated by the Orange County Water District is the

world's largest water purification system for indirect potable reuse. It was funded, in part, by Metropolitan's member agencies through the Local Resources Program. Annually, the GWRS produces approximately 103,000 acre-feet of reliable, locally controlled, drought-proof supply of high-quality water to recharge the Orange County Groundwater Basin and protect it from seawater intrusion. The GWRS is a premier example of a regional project that significantly reduced the need to utilize imported water for groundwater replenishment in Metropolitan's service area, increasing regional and local supply reliability and reducing the region's reliance on imported supplies, including supplies from the State Water Project.

Metropolitan's local resource programs have evolved through the years to better assist Metropolitan's member agencies in increasing local supply production. The following is a description and history of the local supply incentive programs.

Local Projects Program

In 1982, Metropolitan initiated the Local Projects Program (LPP), which provided funding to member agencies to facilitate the development of recycled water projects. Under this approach, Metropolitan contributed a negotiated up-front funding amount to help finance project capital costs. Participating member agencies were obligated to reimburse Metropolitan over time. In 1986, the LPP was revised, changing the up-front funding approach to an incentive-based approach. Metropolitan contributed an amount equal to the avoided State Water Project pumping costs for each acre-foot of recycled water delivered to end-use consumers. This funding incentive was based on the premise that local projects resulted in the reduction of water imported from the Delta and the associated pumping cost. The incentive amount varied from year to year depending on the actual variable power cost paid for State Water Project imports. In 1990, Metropolitan's Board increased the LPP contribution to a fixed rate of $154 per acre-foot, which was calculated based on Metropolitan's avoided capital and operational costs to convey, treat, and distribute water, and included considerations of reliability and service area demands.

Groundwater Recovery Program

The drought of the early 1990s sparked the need to develop additional local water resources, aside from recycled water, to meet regional demand and increase regional water supply reliability. In 1991, Metropolitan conducted the Brackish Groundwater Reclamation Study which determined that large amounts of degraded groundwater in the region were not being utilized. Subsequently, the Groundwater Recovery Program (GRP) was established to assist the recovery of otherwise unusable groundwater degraded by minerals and other contaminants, provide access to the storage assets of the degraded groundwater, and maintain the quality of groundwater resources by reducing the spread of degraded plumes.

Local Resources Program

In 1995, Metropolitan's Board adopted the Local Resources Program (LRP), which combined the LPP and GRP into one program. The Board allowed for existing LPP agreements with a fixed incentive rate to convert to the sliding scale up to $250 per acre-foot, similar to GRP incentive terms. Those agreements that were converted to LRP are known as "LRP Conversions."

Competitive Local Projects Program

In 1998, the Competitive Local Resources Program (Competitive Program) was established. The Competitive Program encouraged the development of recycled water and recovered groundwater through a process that emphasized cost-efficiency to Metropolitan, timing new production according to regional need while minimizing program administration cost. Under the Competitive Program, agencies requested an incentive rate up to $250 per acre-foot of production over 25 years under a Request for Proposals (RFP) for the development of up to 53,000 acre-feet per year of new water recycling and groundwater recovery projects. In 2003, a second RFP was issued for the development of an additional 65,000 acre-feet of new recycled water and recovered groundwater projects through the LRP.

Seawater Desalination Program

Metropolitan established the Seawater Desalination Program (SDP) in 2001 to provide financial incentives to member agencies for the development of seawater desalination projects. In 2014, seawater desalination projects became eligible for funding under the LRP, and the SDP was ended.

2007 Local Resources Program

In 2006, a task force comprised of member agency representatives was formed to identify and recommend program improvements to the LRP. As a result of the task force process, the 2007 LRP was established with a goal of 174,000 acre-feet per year of additional local water resource development. The new program allowed for an open application process and eliminated the previous competitive process. This program offered sliding scale incentives of up to $250 per acre-foot, calculated annually based on a member agency's actual local resource project costs exceeding Metropolitan's prevailing water rate.

2014 Local Resources Program

A series of workgroup meetings with member agencies was held to identify the reasons why there was a lack of new LRP applications coming into the program. The main constraint identified by the member agencies was that the $250 per acre-foot was not providing enough of an incentive for developing new projects due to higher construction costs to meet water quality requirements and to develop the infrastructure to reach end-use consumers located further from treatment plants. As a result, in 2014, the Board authorized an increase in the maximum incentive amount, provided alternative payment structures, included onsite retrofit costs and reimbursable services as part of the LRP, and added eligibility for seawater desalination projects. The current LRP incentive payment options are structured as follows:

- Option 1 – Sliding scale incentive up to $340/AF for a 25-year agreement term
- Option 2 – Sliding scale incentive up to $475/AF for a 15-year agreement term
- Option 3 – Fixed incentive up to $305/AF for a 25-year agreement term

On-site Retrofit Programs

In 2014, Metropolitan's Board also approved the On-site Retrofit Pilot Program which provided financial incentives to public or private entities toward the cost of small-scale improvements to their existing irrigation and industrial systems to allow connection to existing recycled water pipelines. The On-site Retrofit Pilot Program helped reduce recycled water retrofit costs to the end-use consumer which is a key constraint that limited recycled water LRP projects from reaching full production capacity. The program incentive was equal to the actual eligible costs of the on-site retrofit, or $975 per acre-foot of up-front cost, which equates to $195 per acre-foot for an estimated five years of water savings ($195/AF x 5 years) multiplied by the average annual water use in previous three years, whichever is less. The Pilot Program lasted two years and was successful in meeting its goal of accelerating the use of recycled water.

In 2016, Metropolitan's Board authorized the On-site Retrofit Program (ORP), with an additional budget of $10 million. This program encompassed lessons learned from the Pilot Program and feedback from member agencies to make the program more streamlined and improve its efficiency. As of fiscal year 2019/20, the ORP has successfully converted 440 sites, increasing the use of recycled water by 12,691 acre-feet per year.

Stormwater Pilot Programs

In 2019, Metropolitan's Board authorized both the Stormwater for Direct Use Pilot Program and a Stormwater for Recharge Pilot Program to study the feasibility of reusing stormwater to help meet regional demands in Southern California. These pilot programs are intended to encourage the development, monitoring, and study of new and existing stormwater projects by providing financial incentives for their construction/retrofit and monitoring/reporting costs. These pilot programs will help evaluate the potential benefits delivered by stormwater capture projects and provide a basis for potential future funding approaches. Metropolitan's Board authorized a total of $12.5 million for the stormwater pilot programs ($5 million for the District Use Pilot and $7.5 million for the Recharge Pilot).

Current Status and Results of Metropolitan's Local Resource Programs

Today, nearly one-half of the total recycled water and groundwater recovery production in the region has been developed with an incentive from one or more of Metropolitan's local resource programs. During fiscal year 2020, Metropolitan provided about $13 million for production of 71,000 acre-feet of recycled water for non-potable and indirect potable uses. Metropolitan provided about $4 million to support projects that produced about 50,000 acre-

feet of recovered groundwater for municipal use. Since 1982, Metropolitan has invested $680 million to fund 85 recycled water projects and 27 groundwater recovery projects that have produced a cumulative total of about 4 million acre-feet.

Conservation Programs

Metropolitan's regional conservation programs and approaches have a long history. Decades ago, Metropolitan recognized that demand management at the consumer level would be an important part of balancing regional supplies and demands. Water conservation efforts were seen as a way to reduce the need for imported supplies and offset the need to transport or store additional water into or within the Metropolitan service area. The actual conservation of water takes place at the retail consumer level. Regional conservation approaches have proven to be effective at reaching retail consumers throughout Metropolitan's service area and successfully implementing water saving devices, programs and practices. Through the pooling of funding by Metropolitan's member agencies, Metropolitan is able to engage in regional campaigns with wide-reaching impact. Regional investments in demand management programs, of which conservation is a key part along with local supply programs, benefit all member agencies regardless of project location. These programs help to increase regional water supply reliability, reduce demands for imported water supplies, decrease the burden on Metropolitan's infrastructure, reduce system costs, and free up conveyance capacity to the benefit of all member agencies.

Incentive-Based Conservation Programs

Conservation Credits Program

In 1988, Metropolitan's Board approved the Water Conservation Credits Program (Credits Program). The Credits Program is similar in concept to the Local Projects Program (LPP). The purpose of the Credits Program is to encourage local water agencies to implement effective water conservation projects through the use of financial incentives. The Credits Program provides financial assistance for water conservation projects that reduce demands on Metropolitan's imported water supplies and require Metropolitan's assistance to be financially feasible.

Initially, the Credits Program provided 50 percent of a member agency's program cost, up to a maximum of $75 per acre-foot of estimated water savings. The $75 Base Conservation Rate was established based Metropolitan's avoided cost of pumping SWP supplies. The Base Conservation Rate has been revisited by Metropolitan's Board and revised twice since 1988, from $75 to $154 per acre-foot in 1990 and from $154 to $195 per acre-foot in 2005.

In fiscal year 2020 Metropolitan processed more than 30,400 rebate applications totaling $18.9 million.

Member Agency Administered Program

Some member agencies also have unique programs within their service areas that provide local rebates that may differ from Metropolitan's regional program. Metropolitan continues to support these local efforts through a member agency administered funding program that adheres to the same funding guidelines as the Credits Program. The Member Agency Administered Program allows member agencies to receive funding for local conservation efforts that supplement, but do not duplicate, the rebates offered through Metropolitan's regional rebate program.

Water Savings Incentive Program

There are numerous commercial entities and industries within Metropolitan's service area that pursue unique savings opportunities that do not fall within the general rebate programs that Metropolitan provides. In 2012, Metropolitan designed the Water Savings Incentive Program (WSIP) to target these unique commercial and industrial projects. In addition to rebates for devices, under this program, Metropolitan provides financial incentives to businesses and industries that created their own custom water efficiency projects. Qualifying custom projects can receive funding for permanent water efficiency changes that result in reduced potable demand.

Non-Incentive Conservation Programs

In addition to its incentive-based conservation programs, Metropolitan also undertakes additional efforts throughout its service area that help achieve water savings without the use of rebates. Metropolitan's non-incentive conservation efforts include:

- residential and professional water efficient landscape training classes

- water audits for large landscapes
- research, development and studies of new water saving technologies
- advertising and outreach campaigns
- community outreach and education programs
- advocacy for legislation, codes, and standards that lead to increased water savings

Current Status and Results of Metropolitan's Conservation Programs

Since 1990, Metropolitan has invested $824 million in conservation rebates that have resulted in a cumulative savings of 3.27 million acre-feet of water. These investments include $450 million in turf removal and other rebates during the last drought which resulted in 175 million square feet of lawn turf removed. During fiscal year 2020, 1.06 million acre-feet of water is estimated to have been conserved. This annual total includes Metropolitan's Conservation Credits Program; code-based conservation achieved through Metropolitan-sponsored legislation; building plumbing codes and ordinances; reduced consumption resulting from changes in water pricing; and pre-1990 device retrofits.

Infeasibility of Accounting Regional Investments in Reduced Reliance Below the Regional Level

The accounting of regional investments that contribute to reduced reliance on supplies from the Delta watershed is straightforward to calculate and report at the regional aggregate level. However, any similar accounting is infeasible for the individual member agencies or their customers. As described above, the region (through Metropolitan) makes significant investments in projects, programs and other resources that reduce reliance on the Delta. In fact, all of Metropolitan's investments in Colorado River supplies, groundwater and surface storage, local resources development and demand management measures that reduce reliance on the Delta are collectively funded by revenues generated from the member agencies through rates and charges.

Metropolitan's revenues cannot be matched to the demands or supply production history of an individual agency, or consistently across the agencies within the service area. Each project or program funded by the region has a different online date, useful life, incentive rate and structure, and production schedule. It is infeasible to account for all these things over the life of each project or program and provide a nexus to each member agency's contributions to Metropolitan's revenue stream over time. Accounting at the regional level allows for the incorporation of the local supplies and water use efficiency programs done by member agencies and their customers through both the regional programs and through their own specific local programs. As shown above, despite the infeasibility of accounting reduced Delta reliance below the regional level, Metropolitan's member agencies and their customers have together made substantial contributions to the region's reduced reliance.

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