



Subcommittee on Long-Term Regional Planning Processes and Business Modeling

Business Model Refinement

Item 3b

April 24, 2024

Why Refine Metropolitan's Business Model?

- Overall uncertainty of supply and demand
- Changing social landscape
- Changing regulations
- Technology advancements
- Evolution of consumers and the utility sector
- Climate change

Business
Model
Refinement

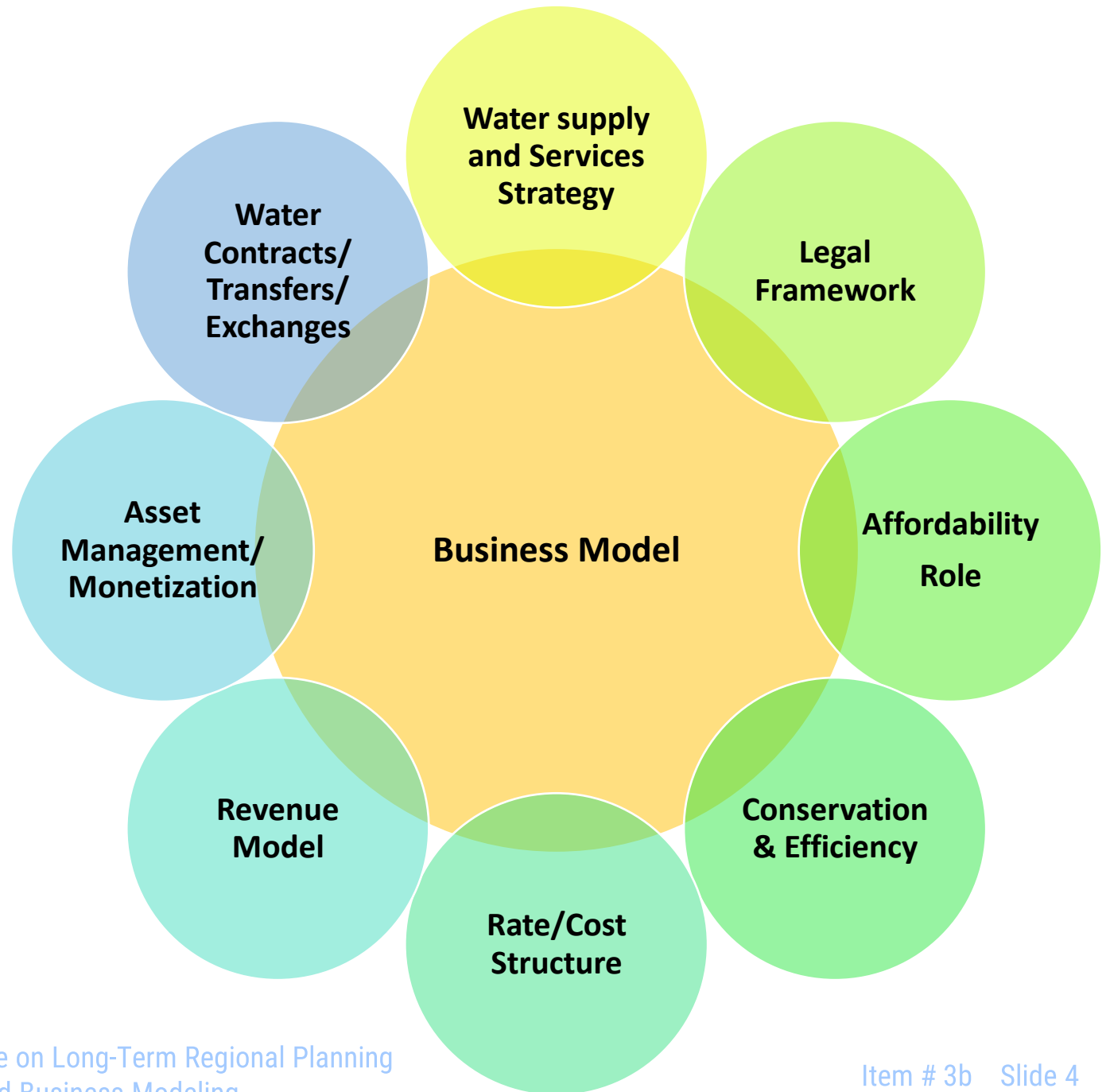
What is a Utility Business Model?

- Strategy and structure to deliver mission
 - Infrastructure development and ownership
 - Revenue and expenditures
 - Regional sustainability and water security

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.

What is a Utility Business Model?

Business model is how we create and deliver value in economic, social, and environmental context



Process of Business Model Refinement

2024

2025-

Review of
current business
model

Provide
comparatives of
different
business models

Develop a high
level roadmap
for business
model update

Update business
model

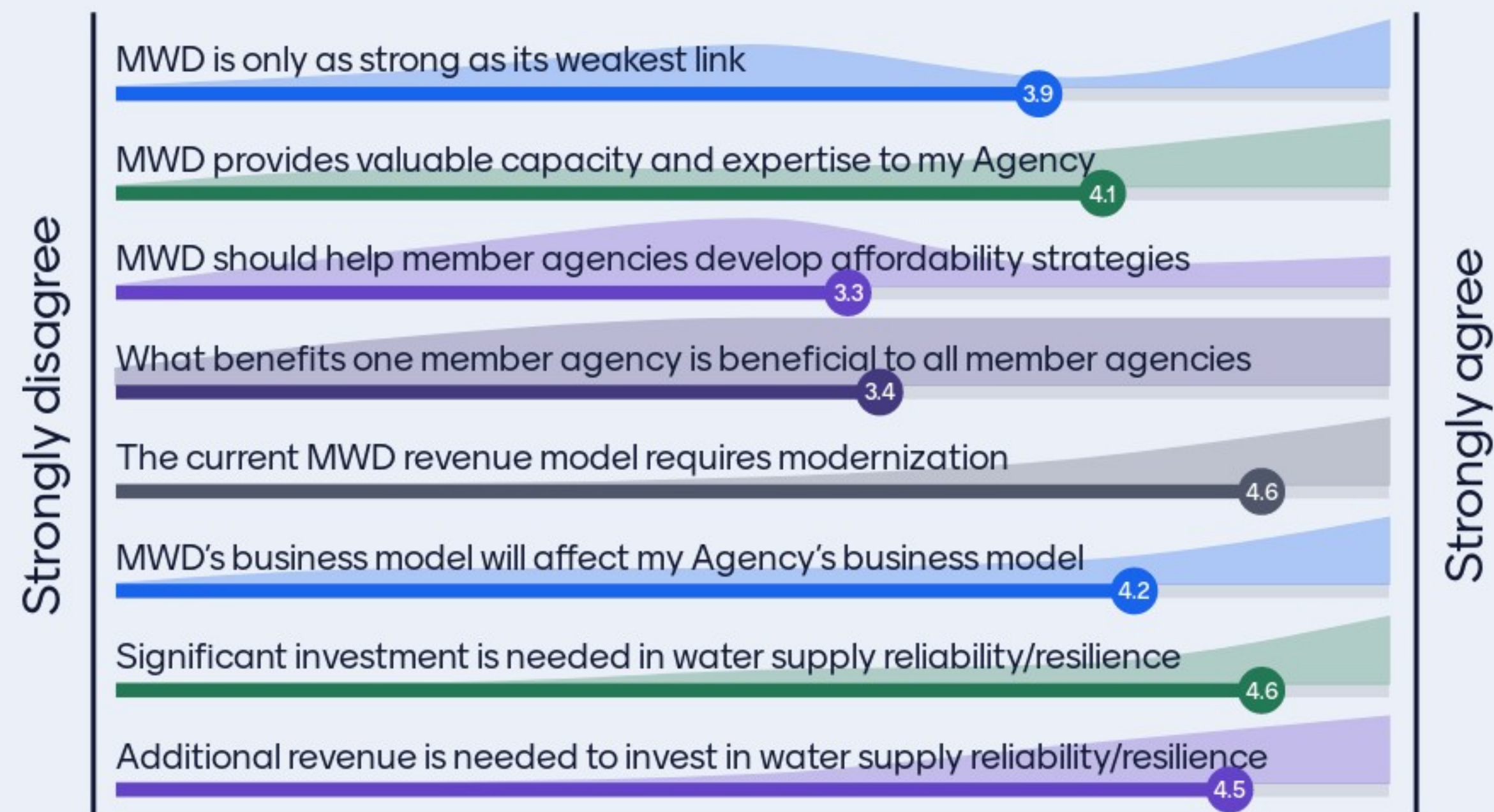
Implement
refined model

Coordination and integration with CAMP



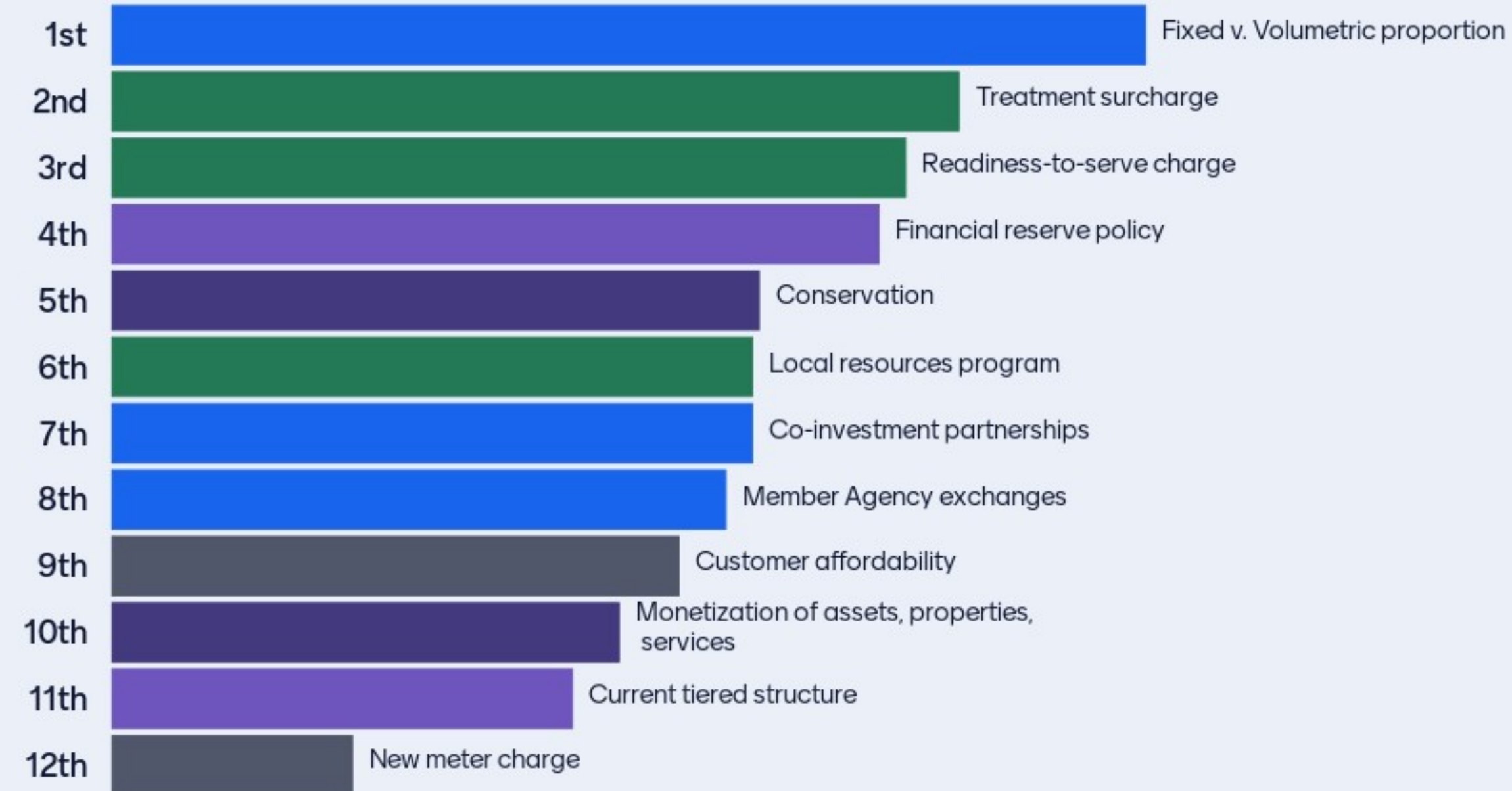


Business Model discussion: agree or disagree with the following statements





Please prioritize the following components for the Business Model discussion



What else do you want considered in the Business Model discussion?



Governance

The political reality of any model

We should discuss governance

Understanding the Baseline: What happens with Status Quo?

Long-term financial health of Met

How to pay and who should pay and what we have to tee up for the future

The concept of insurance as part of the rate structure

Stabilize revenue and rates over the long run



What else do you want considered in the Business Model discussion?



The goal of the business plan should be to assure the achievement of the MWD mission statement

The primary mission of the agency.

LRP program needs to change to a program where Met invests in local supply (and owns their proportion of the project) not paying agencies to not buy Met water.

Gvernance

Building in a revenue stream for guiding climate mitigation (reducing GHGs) and adaptation as well as prioritizing funding conservation

Member agency historical capital contributions to MWDDon't penalized member agencies with own hydrologic supplies.

There should be three areas of focus:MET mission & core functionsRate structure review and refinement Revenue opportunities for Met along with its financial role. They should all align and connect

MET to achieve least cost overall, don't under or over invest



What else do you want considered in the Business Model discussion?



Climate change has made storage, the delivery to storage, and the delivery from storage, the key/critical/focal aspect of utilization of Metropolitan's assets, in reaction to climate change.

Integrate local resources where feasible, including groundwater basin ops

Keep is simple and understandable

Determine the role of water use efficiency

Development of conservation and other local supplies to reduce the need to move water from Northern California and the Colorado River to Southern California.

Commitments from Met to the member agencies and from member agencies to Met. Rolling averages cause problems

