

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

November 24, 1992

To: Board of Directors (Finance and Insurance Committee--Information)
 (Water Problems Committee--Action)

From: General Manager

Subject: Recommended Reclaimed Water Rate to Become Effective
 January 1, 1993

Report

Your Board adopted a reclaimed water rate of \$84 per acre-foot (AF) in 1983. The reclaimed water rate was set at \$60 less than the untreated noninterruptible rate and equivalent to 58 percent of that rate. The reclaimed water rate has not changed since then and now represents only 31 percent of the untreated noninterruptible rate.

The reclaimed water rate directly affects only the first two projects in the Local Projects Program (LPP). These two projects, the South Laguna Reclamation Project and the Las Virgenes Reclamation Project, were approved by your Board prior to 1986 when Metropolitan adopted its current revised LPP. Under the original LPP, Metropolitan contributed \$2.555 million to the South Laguna Reclamation Project for an entitlement to 42,950 acre-feet of reclaimed water to be produced over 52 years and \$7.343 million to the Las Virgenes Reclamation Project for an entitlement to 54,000 acre-feet of reclaimed water to be produced over 23 years. In turn, Metropolitan sells the reclaimed water produced by these projects back to the South Coast Water District (SCWD) (through Coastal Municipal Water District), and Las Virgenes Municipal Water District (LVMWD), respectively, at the reclaimed water rate of \$84/AF. Thus, the reclaimed water rate provides a means by which agencies partially repay Metropolitan for its initial investment. To date, SCWD has paid Metropolitan about \$450,000 and LVMWD has paid about \$1,500,000.

In June 1986, SCWD and LVMWD requested that Metropolitan maintain a reclaimed water rate equivalent to 42 percent of the untreated noninterruptible water rate (i.e., 42 percent of \$197 = \$84). Since then, the rate for all other classes of water service has increased between 36 to 50 percent. In that light, it seems appropriate to

increase the reclaimed water rate at this time to more accurately reflect Metropolitan's costs and to provide additional revenue to Metropolitan. Nonetheless, it is prudent to retain a substantial price differential to encourage the use of reclaimed water. It is, therefore, proposed that effective January 1, 1993, the reclaimed water rate be increased to \$113/AF, which represents 42 percent of the untreated noninterruptible water rate for fiscal year 1992-93. Future increases in the reclaimed water rate will be proposed as the untreated noninterruptible water rate changes. It is staff's intention to recommend increases in the reclaimed rate until it reaches \$200/AF.

In response to this proposal to increase the reclaimed water rate, staff has begun negotiating with SCWD and LVMWD to discuss "buy out" of their existing obligations, termination of their original LPP agreements, and possibly signing Joint Participation Agreements based on current LPP provisions. The details of these negotiations are presented in an accompanying Board letter.

This action is exempt from the provisions of the California Environmental Quality Act upon the Board's finding that the rate increase is necessary to meet operating and other ongoing expenses. The appropriate finding is included in Attachment A.

Board Committee Assignments

This letter is referred to:

The Water Problems Committee for action pursuant to its authority to determine the selling prices of water under Administrative Code Section 2481(c).

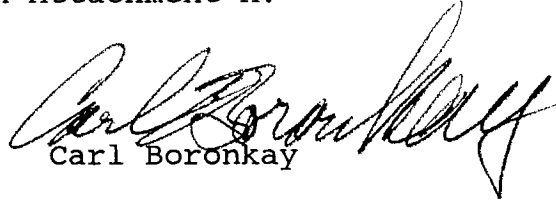
The Finance and Insurance Committee for information pursuant to its authority to determine revenues to be obtained through sales of water under Administrative Code Section 2441(e).

Recommendations

WATER PROBLEMS COMMITTEE FOR ACTION AND FINANCE AND INSURANCE COMMITTEE FOR INFORMATION.

That the Board set the reclaimed water rate, for the remaining of the fiscal year 1992-93, to \$113 per acre-foot to be effective January 1, 1993.

That the Board supplement its action setting water rates effective January 1, 1993 by adopting the written fundings set forth in Attachment A.



Carl Boronkay

RM:bvf

Attachment

ATTACHMENT A

**FINDINGS OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

The Board finds that the establishment and approval of the reclaimed water rate as set forth in the General Manager's letter to this Board dated November 24, 1992, is for the purposes of meeting operating expenses, including employee wage rates and fringe benefits; purchasing or leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; and obtaining funds for capital projects necessary to maintain service within existing service areas. For these reasons, the Board finds that its action taken pursuant to the above letter is statutorily exempt from the provisions of the California Environmental Quality Act.