

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

August 3, 1993

*To:* Board of Directors (Water Problems Committee--Action)  
(Executive Committee--Action)

*From:* General Manager

*Subject:* Transporting (Wheeling) Water to Metropolitan's Service Area

Report

At the July meeting, your Board adopted an interim wheeling rate of \$223 per acre-foot to facilitate the request from Western Municipal Water District of Riverside County to transfer unused State Water Project entitlement water from the Wheeler Ridge-Maricopa Water Storage District in Kern County to a buyer located in Metropolitan's service area (Attachment A). The rate proposed to be charged by Wheeler Ridge is about \$170 per acre-foot and is designed to protect their ratepayers from any adverse financial consequences of the water transfer. Before adoption of a permanent wheeling rate, staff was directed to consider the wheeling rate approaches used by other utilities.

Research conducted by staff and consultants with expertise in negotiating wheeling agreements indicates that in the electrical, natural gas, and water industries, wheeling and water transfer policies have been adopted throughout the United States that protect the financial and supply reliability interests of the industries and their customers. The policies include provisions for charges such as capital costs, standby charges, and long-term planning. The Federal Regulatory Energy Commission which regulates interstate natural gas and electrical transportation has adopted principles for approving wheeling rates. One of those principles is that retail customers of the wheeling utility should be protected from any negative impacts of wheeling. The California Public Utilities Commission which regulates intrastate transportation has adopted wheeling principles which include that local distribution companies and other consumers should be protected from any price impact, and that transport consumers would be charged the same rate as full service customers less commodity costs. Finally, the Central Valley Project (CVP) Improvement Act provides specific protection for the financial, water supply, and operational conditions of CVP contractors from which water would be transferred. While many of these policies are relatively new and still evolving, it is expected that the

underlying principles for protecting the financial and operational integrity of the above industries and their customers will continue.

After consideration of the wheeling rate approaches of other utilities, input from our member agencies, and the best interests of Metropolitan, a wheeling policy has been developed. The proposed policy would provide for the wheeling of water from outside Metropolitan's service area through Metropolitan's system for service within Metropolitan, subject to provisions that protect Metropolitan and its member public agencies. For the fiscal year 1993/94, the proposed policy would result in the same wheeling rate as the interim rate adopted in July, \$223 per acre-foot with potential adjustments for project-specific costs. This policy would be added to Metropolitan's Administrative Code as specified in Attachment B.

The proposed policy is consistent with the requirements of Water Code Sections 1810 through 1814. These sections, frequently referred to as the "Katz wheeling legislation" (after the bill's author, Assemblyman Katz) require water agencies to make available up to 70 percent of the otherwise unused capacity in their water facilities to transport water so long as certain criteria are met and "fair compensation" is paid for the use. "Fair compensation" is broadly defined to include capital, operation, maintenance, replacement, and increased power costs with reasonable credit to be given for offsetting benefits. The legislative history accompanying this definition strongly indicates it is intended to permit public agencies to remain financially whole in the manner proposed in this letter by permitting recovery of all costs associated with making unused conveyance capacity available. This is consistent with the statutory language providing that mandated water transfers may not result in injury (e.g. economic) to any legal user of water.

#### Board Committee Assignments

This letter is referred for action to:

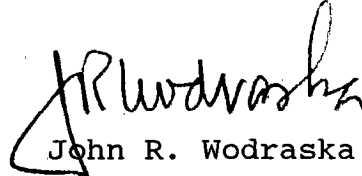
The Water Problems Committee pursuant to its authority to make recommendations regarding the sale and delivery of water for various uses under Administrative Code Section 2481(d); and

The Executive Committee pursuant to its authority to make recommendations regarding the policies and procedures to be considered by the Board under Administrative Code Section 2417(e).

Recommendation

**WATER PROBLEMS AND EXECUTIVE COMMITTEES FOR ACTION.**

That the Board approve changes to the Administrative Code to add Division IV, Chapter 9--Wheeling of Water to the District's Service Area--as reflected in Attachment B.



John R. Wodraska

JMB:as

Attachment

METROPOLITAN'S RATE FOR  
WHEELING WATER TO ITS SERVICE AREA

$$\begin{aligned} \text{Wheeling Rate}^* &= [\text{Untreated Water Rate}] \text{ less} \\ & \quad [\text{Avoided energy costs}] \text{ less} \\ & \quad [\text{Other avoided costs, if appropriate}] \\ \text{plus} & \quad [\text{Treatment surcharge, if appropriate}] \end{aligned}$$

Calculation for Wheeling During Fiscal Year 1993-1994

Untreated Water Rate <sup>1</sup>	\$318/AF
SWP Avoided Energy Costs <sup>2</sup>	- 90/AF
Other Avoided Costs <sup>3</sup>	- 5/AF
Untreated Wheeling Rate <sup>4</sup>	<u>\$223/AF</u>
Treatment Surcharge <sup>1</sup>	+ <u>\$67/AF</u>
Treated Wheeling Rate <sup>4</sup>	\$290/AF

Notes:

\* Calculation of wheeling rate assumes entity seeking wheeling provides its own power resources.

<sup>1</sup> Metropolitan's Adopted Water Rate for Fiscal Year 1993-94.

<sup>2</sup> Based on the average power requirement to deliver SWP water to Metropolitan of 3,000 kilowatt-hours per acre-foot and the average mill rate for power of 30 mills per kilowatt-hour.

<sup>3</sup> Based on fish loss through Banks Pumping Plant of \$1 per acre-foot and replacement component charge of \$4 per acre-foot.

<sup>4</sup> Actual wheeling costs may differ depending upon project-specific costs which could increase, or decrease, any avoided or unavaoided costs.

Division IV  
WATER SERVICE POLICIES

Chapter 9

WHEELING OF WATER  
TO THE DISTRICT'S SERVICE AREA

Sec.

- 4900 Definition
- 4901 Use of District Facilities
- 4902 Wheeling Contracts
- 4903 Compensation
- 4904 Availability of Capacity
- 4905 District Priority
- 4906 Member Public Agency Wheeling Priority
- 4907 Water Quality
- 4908 Liability

**§ 4900. Definition.**

"Wheel" or "Wheeling" of water means the transport of water not owned by the District from outside District boundaries through District facilities to be delivered at a District service connection and used within the District's boundaries.

**§ 4901. Use of District Facilities.**

The use of the District's system to wheel water shall not adversely affect service or increase costs to the District or its member public agencies, and the District shall be reasonably compensated for the use of its system.

**§ 4902. Wheeling Contracts.**

The General Manager may approve, on behalf of the District and may enter into agreements to wheel water through District facilities to District service connections within the boundaries of the District. Such approvals and agreements shall be subject to: (1) any approvals required from other entities; (2) the policies set forth in this chapter; and (3) reasonable provisions that protect the District's water supplies, operations, and financial condition. "Protection of financial condition" means compensation to recover costs attributable to the use of the District's distribution system and other facilities to deliver wheeled water.

**§ 4903. Compensation.**

Such compensation shall be equal to the untreated water rate; less avoided costs, including but not limited to energy; plus resulting increased costs, and, if treated water is wheeled, the treated water surcharge.

**§ 4904. Availability of Capacity.**

The General Manager shall determine the extent to which capacity is available in the District's system for wheeling, considering the operational limits of the system and the District's current and projected use of the system;

**§ 4905. District Priority.**

Wheeling of water is to be subordinated to all uses by the District (including surplus water sales and deliveries to storage).

**§ 4906. Member Public Agency Wheeling Priority.**

In the event of competing requests for use of the District's system for wheeling, the District will give preference to requests from its member public agencies to wheel water. If competing non-member agency requests occur they will be satisfied on a first-come, first-served basis depending on system capacity availability.

**§ 4907. Water Quality.**

The commingling of wheeled water shall not result in a diminution of the quality of water in the District's system, nor adversely impact use of water from the District's system by the member public agencies, nor require changes in treatment practices at any District treatment facility. The water wheeled in treated water pipelines shall meet all federal and State drinking water standards.

**§ 4908. Liability.**

The District will assume no responsibility or liability for loss of water or delay in the delivery of water wheeled for another party. The entity or agency for which the water is being wheeled shall indemnify the District from all costs and liabilities resulting from claims or litigation of any nature whatsoever resulting from the water being placed into the District's system and being wheeled through and delivered from the District's facilities.