



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

December 14, 1993

To: Board of Directors  
From: General Manager  
Subject: Financial Structure Study Recommendations of Rate Structure  
and Additional Revenue Sources

Report

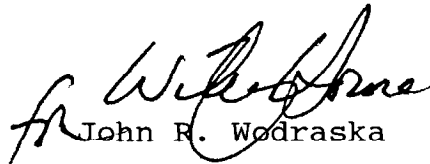
At the Finance and Insurance and Water Problems Committees on December 13, the General Manager's recommendations as contained in the December 1, 1993 Board letter were revised to read as noted below. The California Environmental Quality Act (CEQA) language clarification should also be added to the CEQA paragraph on page 8 of the Board letter.

Recommendation

It is recommended that the Board approve the rate structure and additional revenue sources from a readiness-to-serve charge, new demand charge, treated water peaking charge, and connection maintenance charge, summarized in Table 1 and described in this Board letter, with implementation to be in fiscal year 1995-96. It is additionally recommended that the Board find that the proposed revisions to Metropolitan's rate structure and additional revenue sources is exempt from the provisions of the California Environmental Quality Act (CEQA) since it recommends restructuring of rates and other charges which are for the purposes of meeting operating expenses; 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, or for projects which will have CEQA documentation in place prior to construction of any facility or facilities. In addition, the recommendation for the new demand charge constitutes a planning and feasibility study pursuant to Section 15262 of the State CEQA Guidelines for which an EIR or Negative Declaration is not required since a nexus study must be completed and approved by the Board before the new demand charge may be implemented.

It is further recommended that the Board direct the General Manager:

- (1) To complete a nexus study with legal review for the new demand charge no later than mid-1994, such that member agencies who choose to do so can pass on the appropriate amount of this charge in their connection fees or other charges;
- (2) To analyze and refine seasonal storage pricing for short-term and long-term storage water, including development, in conjunction with the member agencies, of a long-term seasonal storage program that provides contractual conditions for utilizing that water;
- (3) To prepare a sensitivity analysis which will evaluate the District's future financial strength considering the member agencies' response to the new financial structure; and
- (4) To prepare an analysis to incorporate the new charges in a way to retain water management incentives in the Local Projects Program, Groundwater Recovery Program, and Conservation Credits Program.

  
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JMB:gn