

MAR - 8 1994



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
EXECUTIVE SECRETARY

Karen E. Jeff
EXECUTIVE SECRETARY

December 15, 1993

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

From: General Manager

Subject: Recommended Water Rates to Become Effective July 1, 1994

Report

Administrative Code Section 4304 (c) requires that the General Manager present to the Water Problems Committee recommendations for water rates for the next fiscal year based on the Finance and Insurance Committee's determination of required water revenues. By letter dated November 2, 1993, as revised November 17, 1993, and December 1, 1993, the General Manager presented his determination of the revenues to be derived from water sales during 1994-95 to the Finance and Insurance Committee for consideration. The Finance and Insurance Committee approved the General Manager's determination at its December 13, 1993 meeting and forwarded that determination to the Water Problems Committee.

The total revenue requirement for 1994-95 was determined to be \$856.1 million. After accounting for revenues from property taxes, the water standby charge, the sale of hydroelectric power, interest income, and miscellaneous income, the water revenue requirement for 1994-95 was determined to be \$669.5 million. With the use of \$15.3 million from the Water Rate Stabilization Fund to pay a portion of the 1994-95 costs and hold the member agency fiscal impact of the rate increases to 6.5 percent, the net water revenue requirement was determined to be \$654.2 million. The rates recommended in this letter are sufficient to produce the required water revenue based on a water sales estimate of 1.85 million acre-feet during 1994-95.

The sales projection of 1.85 million acre-feet is based on a forecast of regional water demands less local water production, imports from the Los Angeles Aqueduct, water conservation, and wastewater reclamation. It is anticipated that a full Colorado River Aqueduct will be available supplying 1,200,000 acre-feet, 650,000 acre-feet will be supplied from the state water project.

1994-95 Water Rates

The water rate structure for 1994-95 is part of a two year rate and charges program that resulted from the Financial Structure Study, and was approved by your Board at its meeting of December 14, 1993. The noninterruptible and seasonal storage classes of service as well as the treatment surcharge will remain in effect. In addition, a water standby charge will be imposed for 1994-95, but discontinued thereafter. In 1995-96 and thereafter a readiness-to-serve charge, a connection maintenance charge, a new demand charge, and a treated peaking charge will be imposed as part of the recommendations from the Financial Structure Study. The new rate and charge structure is described in more detail in the General Manager's letter entitled "Financial Structure Study Recommendations of Rate Structure and Additional Revenue Sources" dated December 1, 1993.

Table 1 details the recommended water rates by classification, the types of revenue sources, rate changes, projected draws on the Water Rate Stabilization Fund (WRSF), and rate projections from 1994-95 through 1997-98. To hold the combined fiscal impact of increases in base water rates and the water treatment surcharge to approximately 6.5 percent over 1993-94 rates (the noninterruptible untreated rate will increase by \$17 and the treatment surcharge will increase by \$10), it is estimated that approximately \$15.3 million will be required from the WRSF to cover the projected revenue deficit during 1994-95.

Treatment Surcharge

Capital and O&M costs for the treatment of water will be increasing with the expansions of the Jensen, Skinner, and Mills Filtration Plants, therefore, it will be necessary to increase the treatment surcharge by \$10 per acre-foot for 1994-95 from \$67 per acre-foot to \$77 per acre-foot. The treatment surcharge for seasonal storage water will increase to \$53 per acre-foot. The projected increase in the treatment surcharge is substantially consistent with the Board's policy that all costs pertaining to the treatment of water be recovered through the treatment surcharge. Although the \$10 per acre-foot increase will not fully cover the projected increase in costs for 1994-95, the increase is consistent with the overall recommended rate increase of 6.5 percent over 1993-94 rates. It is anticipated the revenues

from the new treated peaking charge will contribute to full recovery of treatment costs and mitigate future increases in the treatment surcharge.

Reclaimed and Emergency Rates

The reclaimed water rate will remain at \$113 per acre-foot for 1994-95. The emergency water rate will continue to be triple the untreated noninterruptible rate.

Seasonal Storage Rates

The differential between the noninterruptible water rate and the seasonal storage rate has increased from \$87 in 1989-90 to \$110 in 1993-94. Varying methods for setting the differential have been used over the years. A constant percentage differential between the noninterruptible and seasonal rates, a differential based on setting the seasonal rate increase at 80 percent of the noninterruptible increase, a flat \$9 increase in the differential, and a zero increase in the differential have been used in the past.

Consistent with the recently adopted rate restructuring, the seasonal storage program is scheduled for full review in the near future. However, this cannot be completed before the time the rates for Fiscal Year 1994-95 must be set. Staff believes it is appropriate to set the seasonal rate increase equal to 80 percent of the non-interruptible rate increase. This is representative of the actions taken by the Board in the past several years, and for all practical purposes, maintains the status quo as is appropriate during this period of review. This means that the untreated seasonal rate will increase by \$14 and the treated seasonal surcharge will increase by \$8. The seasonal differentials would increase by \$3 for untreated service and \$5 for treated service.

The proposed action is exempt from the provisions of the California Environmental Quality Act because there is no possibility that it would have a significant effect on the environment.

Board Committee Assignments

This letter was referred to:

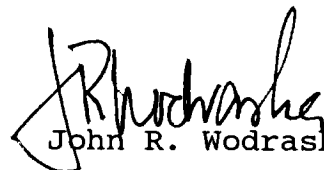
The Finance and Insurance Committee for information pursuant to its authority to determine revenues to be obtained through sales of water under Administrative Code Section 2441 (e).

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

Recommendation

That the Water Problems Committee set a time for a meeting of the Committee at which interested parties may present their views regarding the General Manager's recommendation that the water rates for fiscal year 1994-95 be set by the Board as follows:

<u>Class of Service</u>	<u>Rates in Dollars per Acre-Foot</u>
Noninterruptible	
Untreated	335
Treated	412
Emergency Water	
Untreated	1,005
Treated	1,082
Reclaimed Water	113
Seasonal Storage	
Untreated	222
Treated	275


John R. Wodraska

KRN:lg
RATE9495

Attachment

TABLE 1

14-Dec-93

PROJECTED REVENUES AND WATER RATES
1994-95 to 1998-99

<u>REVENUES (\$ in Millions)</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
Water Revenue - Base	\$575	\$629	\$654	\$751	\$787
Treatment Surcharge Revenue	80	89	101	114	128
Taxes	91	94	97	100	102
Interest	22	24	25	27	29
Standby Charge	50	0	0	0	0
Power & Miscellaneous	23	26	26	26	26
Connection Maintenance Charge	0	7	7	7	7
Readiness-to-Serve Charge	0	66	87	108	124
New Demand Charge	0	0	3	11	38
Use of WRSF/Other	15	20	71	56	17
Total	\$856	\$955	\$1,071	\$1,200	\$1,258
Treated Peaking Charge	\$0	\$0	\$6	\$7	\$8
<u>PROJECTED RATES (\$ per AF)</u>					
Noninterruptible-Untreated	\$335	\$335	\$344	\$361	\$373
Noninterruptible-Treated	\$412	\$412	\$432	\$449	\$473
Untreated Rate Change	\$17	\$0	\$9	\$17	\$12
Treatment Surcharge Increase	\$10	\$0	\$11	\$0	\$12
MEMBER AGENCY IMPACT:					
-Rates & Charges	6.48%	10.16%	6.52%	6.43%	5.95%
-Standby Charge		-6.96%			

Seasonal Differential:
\$113 per AF

P:\FINSERV\RATE9495.WQ1

Name: DAVID PHARES

Affiliation: DOMENISONI Property Owners

Address: 43124 Mirasol Way
Temecula,

Tel.No.: (909)695-7600

Written Statement () or Oral Statement
(30 copies)

Date: 3/8/94

Name: ANDY DOMENIGONI

Affiliation: DOMENIGONI FAMILY

Address: 31851 WINCHESTER RD.
WINCHESTER CA. 92596

Tel.No.: (909) 926-1763

Written Statement () or Oral Statement ()
(30 copies)

Date: 3-8-94

Name: Robin Burkell

Affiliation: Domenigoni Res

Address: P.O. Box 764
Hemet Ca 92546

Tel.No.: _____

Written Statement () or Oral Statement (X)
(30 copies)

Date: 3/8/94

Name: BOBBIE FAULKNER

Affiliation: SOMERWELL VALLEY RES

Address: P.O. BOX 391
MANCHESTER, OH

Tel.No.: _____

Written Statement () or Oral Statement
(30 copies)

Date: 3/8/94

Name: David Ledbetter
Relocation Management Rd
Affiliation: Alamar Mesa Area
Address: 20990 Old Mine Rd
Hemet Calif 92548
Tel.No.: 909-926-140

Written Statement () or Oral Statement (✓)
(30 copies)

Date: 3-8-94

Name: BONNIE GOLD
Affiliation: (Relocation Newport Rd.) ALAMAR MESA AREA
Address: 28770 Warner Rd.
Hermit, CA 92545
Tel.No.: 909-926-2148

Written Statement () or Oral Statement ()
(30 copies)

Date: 3-8-94

Name: Lucile PRATHER

Affiliation: ALAMAR MESA Re

Address: 28920 WARREN Rd
HEMET CA 92545

Tel.No.: 909 926-4227

Written Statement () or Oral Statement (X)
(30 copies) π

Date: 3-8-94

Name: Marty Mac Milan

Affiliation: Dominigoni Valley

Address: 23182 Via Locio
Homeland, CA 92548

Tel.No.: 909-925-1218 after 5:00pm

Written Statement () or Oral Statement ()
(30 copies)

Date: 3/8/94

Name: MILLIE SONTRA

Affiliation: DOMENIGOS VALLEY PROPERTY OWNER

Address: 410 Campus View Dr.
RIVERSIDE, CA 92507

Tel.No.: (909) 686-6202

Written Statement () or Oral Statement ()
(30 copies)

Date: 3-8-94

Name: SCOTT VAUGHN

Affiliation: PROPERTY OWNER, DOMERIGONI VALLEY

Address: 23550 CALIFORNIA AVE.
HENET, CA 92545

Tel. No.: (909) 926-4403

Written Statement () or Oral Statement
(30 copies)

Date: 3-8-94

Name: TED TANNER

Affiliation: CATELLUS

Address: 800 N. ALAMEDA
LA CA 90012

Tel.No.: 213-625-5865

Written Statement () or Oral Statement ()
(30 copies)

Date: 3-8-94
