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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

JAN 10 1995

Daren E. Doff
EXECUTIVE SECRETARY

December 20, 1994

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

From: General Manager

Subject: Recommended Water Rates to Become Effective July 1, 1995
and Resolutions Giving Notice of Intention to Impose
Charges

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 October 26, 1994, as revised November 29, 1994, the General Manager presented his determination of the revenues to be derived from water sales during 1995-96 to the Finance and Insurance Committee for consideration.

The total revenue requirement for 1995-96 was is estimated to be \$928.7 million. After accounting for revenues from property taxes, fixed sources (including the readiness-to-serve charge), the connection maintenance charge, the sale of hydroelectric power, interest income, and miscellaneous income, the water revenue requirement for 1995-96 was determined to be is \$739.4 million. With the use of \$70.7 million from the Water Rate Stabilization Fund to pay a portion of the 1995-96 costs and hold the member agency fiscal impact of the rate increases to 5.1 percent, the net water revenue requirement was determined to be is \$668.7 million. The rates recommended in this letter are sufficient to produce the required water revenue based on a water sales estimate of 1.9 million acre-feet during 1995-96.

The sales projection of 1.9 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, and

730,000 acre-feet will be supplied from the State Water Project.

Overview

At its December 13, 1993, meeting your Board approved a change in revenue structure in concept. The revenue structure addressed Metropolitan's objectives, including equity, stability of rates, and a commitment to firm revenues that matches the needs of Metropolitan's Capital Improvement Program (CIP) and is consistent with the Integrated Resource Plan (IRP). At the time this structure was approved, the Board directed the General Manager to complete four tasks. These tasks included the completion of a "nexus study", complete with legal review, by mid-1994; a sensitivity analysis to evaluate the impact of different assumptions on Metropolitan's financial status under the new revenue structure; an evaluation of Metropolitan's seasonal storage program; and an evaluation of the impact of the new rate structure on Metropolitan's ability to meet its water management program goals. These evaluations are in various stages of completion. The "nexus study" and the sensitivity analysis have been completed. The evaluations and analyses associated with the storage programs and water management programs are not yet complete, although substantial progress has been made, with preliminary results shared with your Board and Metropolitan's member agencies.

The past year has afforded Metropolitan and its member agencies the opportunity to work with the structure and evaluate implementation and equity issues associated with the imposition of a new rate and revenue structure. As member agencies have proceeded to implement the new structure, several suggestions have been made to facilitate the transition to the new structure. These suggestions include:

1. Retention of Retain member agencies' ability to utilize Metropolitan's existing standby charge as a means to collect a portion of an agency's readiness-to-serve charge. This "local" option" will help mitigate rate impacts effects, as well as provide a more flexible and diverse source of revenue.

2. The need for Develop a proactive and long-term resource management ("drought management") plan to ensure equity and efficient use of regional resources during shortage periods, as well as effective use of storage during periods of surplus.

3. Implement incentives ~~must be set at levels that~~ will generate resource development at the levels identified in the IRP. ~~Development of~~ Groundwater storage and local resource programs ~~is~~ are an important component of the ~~Integrated Resources Plan (IRP)~~. Further, it is important that Metropolitan's financing of groundwater storage and local programs is commensurate with the benefits provided by such programs and that regional benefits are realized. That is, the financing mechanism (whether incentive, grant, or other capital contribution) should be sufficient to generate development to meet IRP targets, and both program participants and non-participants should be able to recognize value from the program.

4. ~~The need to~~ Develop cost-effective groundwater storage operations and local resource development within the new revenue and rate structure.

5. Reemphasize the importance of system equity among members, considering both historic contributions and total payments to ensure a reliable water delivery system.

6. ~~The need to~~ Provide groundwater basin agencies additional opportunities for efficient water management. ~~through the pooling of purchases for purposes of accounting in the RTS and New Demand Charge.~~

1995-96 Water Rates

The water rate structure for 1995-96 reflects the form unanimously approved by your Board at its meeting of December 14, 1993. The four new components consist of a readiness-to-serve charge, new demand charge, connection maintenance charge, and treated water peaking charge. In addition, it is recommended that Metropolitan offer each member agency the option to have the existing standby charge collected on its behalf as a means to meet its readiness-to-serve obligation. The noninterruptible and seasonal storage classes of service, as well as the treatment surcharge will remain in effect.

Table 1 shows the expected sources of annual revenues to Metropolitan, the costs covered by each, the base unit charge, and the ~~party~~ revenue base upon which the charges are levied ~~responsible for payment~~. The estimated revenues from these charges, as well as revenues from interest earnings, power sales, and miscellaneous sources projected over the next 10 years, are shown in Table 2.

Under this proposal, the noninterruptible untreated water rate will increase by \$9 per acre-foot and the treatment surcharge will increase by \$5 per acre-foot in 1995-96.

Reasons for the increase in commodity rates include the need to set rates based on longer term requirements such as the \$4.7 billion Capital program, to avoid rate spikes which occurred after 7 1/2 years of no rate increases in the 1980's, to try to hold increases in rates and charges to approximately 6 percent annually, and to help mitigate the impact of reduced sales. As evidenced by a draw of \$204 million from the Water Rate Stabilization Fund in 1991-92, reduced sales can severely impact the revenue stream. For example, if seasonal sales are 100,000 acre-feet less than projected, revenues could be reduced by as much as \$28 million. The readiness-to-serve (RTS) charge and the connection maintenance charge will only generate an additional \$13 million in revenues. Last year's rate forecast showed a 10.2 percent increase in the member agencies' rates and charges due to the elimination of the standby charge. The proposed rates and charges are approximately half of the past forecast.

Readiness-to-Serve Charge

The ~~readiness to serve charge~~ (RTS) will be set to recover the principal and interest payments on non-tax supported debt service that has been or will be issued to fund capital improvements associated with meeting the reliability and quality needs of existing users. The charge is allocated to each member agency on the basis of a rolling average of historic water purchases from Metropolitan, including sales for consumptive demands, agriculture, and storage. For 1995-96, an agency's share of the RTS will be based on the average of Metropolitan sales in 1992-93 and 1993-94, less certain long-term storage water as more particularly defined in Exhibit A, Section 8. Table 3 shows the RTS obligation by member agency and the estimated standby charge revenues that would be available at existing parcel rates.

The proposed form of resolution of your Board declaring its intention to impose the RTS charge and notifying the member agencies of this intention is attached as Exhibit A. ~~Prior to adoption of this resolution, An Engineer's Report explaining the basis for the charge and the allocation of the charge among member agencies will be provided.~~ is attached to this resolution.

This resolution provides member agencies the option to request that Metropolitan impose a standby charge on parcels of land in the agency's service area. Standby charge collections from such member agency's territory would be credited against the member's RTS charge obligation. Any standby charge revenues in excess of the member agency's RTS obligation would be credited to the agency's other obligations to Metropolitan or carried forward to next year.

A member agency ~~should may~~ make such request in the form of a resolution or other official action of its governing body, or through a letter by the General Manager of the Member Agency which must be delivered to Metropolitan's Director of Finance Chief of Planning and Resources not later than March 1, 1995. This action will not constitute ratemaking by the member agency, but will be a request to be considered by Metropolitan in the process of fixing Metropolitan's rates and charges. The requirements for special notice, public hearing and the like which apply to ratemaking procedures will be satisfied by Metropolitan and will not apply to the member agency action. The member agency resolution or other official action should include the information listed in Exhibit B. The actual resolution or other action should be modified to comply with local procedures and requirements. The resolution, other official action, or the member agency manager's letter should include (i) a formal request that Metropolitan's standby charge be imposed and collected on property tax bills for properties within the member agency, at the same rate as Metropolitan's 1994-95 standby charge, (ii) an acknowledgment that standby charge collections will be credited against the member agency's RTS obligation and a commitment to pay any remaining RTS obligation, and (iii) agreement to the other terms and conditions of Metropolitan's resolution giving notice of intention to impose the RTS.

Your Board will hold a public hearing on February 14, 1994, on its intention to impose the RTS charge. This hearing will include the water rates and other charges to be levied for fiscal year 1995-96. Additionally, Metropolitan will provide the necessary notice or notices to the public in the areas where standby charges have been requested and your Board will hold a public hearing on April 11, 1995, for interested parties to present comments or protest the proposed water standby charge. It is anticipated that your Board will take action on the proposed standby charges at its meeting on May 9, 1995.

The resolution of intention to impose the RTS charge (and, upon the request of member agencies, standby charges to be used as credits against the RTS charge) also establishes the criteria under which certain lands may be exempt from the standby charge. Lands which were exempt from standby charges for prior years will continue to be exempt and those property owners will not be required to refile exemption requests.

The New Demand Charge

The new demand charge (NDC) recovers the capital costs associated with meeting new demands on Metropolitan's system. It should be noted that costs associated with treatment facilities will continue to be collected through the treatment surcharge through fiscal year 1995-96. At the request of Metropolitan's member agencies, and consistent with the theory of the NDC, Metropolitan will evaluate the feasibility of a NDC for treated water deliveries. This "treated" NDC would collect costs associated with expanding treatment facilities. This charge will be presented to the Board for its consideration during the 1996-97 rate setting process.

To incur the NDC, an agency's most current four-year average of Metropolitan sales (less certain long-term storage deliveries as more particularly described in Exhibit EB, Section 8) must be greater than its historic demands as measured during the base period (as more particularly defined in Exhibit EB, Section 9). The Nexus Study in support of the NDC indicates that the full costs of untreated incremental demands is \$1,621 per acre-foot. The NDC would be set at \$1,000 per acre-foot in 1995-96, with the intention to increase the NDC toward full cost over the next five years.

The proposed form of resolution of your Board declaring its intention to impose the NDC and notifying the member agencies of this intention is attached as Exhibit EB. This resolution incorporates the final Nexus Study which was directed by the Board in December of 1993 to be produced. The Nexus Study serves the purpose of documenting the rationale and assessment of the NDC to member agencies and serves as a source document for member agencies who wish to collect the appropriate portion of the NDC at the local level through connection or capacity fees. Such local fees will allow the component of new growth coming from development to be fairly assessed the costs member agencies incur due to the NDC.

Connection Maintenance Charge

The connection maintenance charge (CMC) will recover a portion of the costs associated with operating and maintaining service connections. This charge is based on the capacity and number of connections each agency has with Metropolitan. The initial charge is equal to \$50 per cubic-foot per second of connected capacity per month, with a maximum charge of \$5,000 per connection each month.

Treated Water Peaking Charge

The treated water peaking charge will be set to encourage agencies that peak off Metropolitan's treatment facilities during the summer to change their behavior or more equitably share in the cost of facilities to meet their needs. If peak week flow during May through September exceeds 130 percent of average summer (May-September) week flow ~~during the calendar year~~, then an agency pays a charge for each cubic-foot per second above the average. The charge will first be assessed during calendar year 1996 and collected in 1997-1998.

Treatment Surcharge

Capital and ~~O&M~~ operating and maintenance costs for the treatment of water will be increasing with the expansions and improvements to meet more stringent water quality regulations at the Jensen, Skinner, and Mills Filtration Plants. Therefore, it will be necessary to increase the treatment surcharge by \$5 per acre-foot for 1995-96 from \$77 per acre-foot to \$82 per acre-foot. The treatment surcharge for seasonal storage water will increase to ~~\$55~~ \$57 per acre-foot. The projected increase in the treatment surcharge is consistent with the Board's policy that all costs pertaining to the treatment of water be recovered through the treatment surcharge. Although the \$5 per acre-foot increase will not fully cover the projected increase in costs for 1995-96, the increase is consistent with the overall recommended rate increase of 5.1 percent over 1994-95 rates. Future increases in the treatment surcharge would be mitigated if a NDC for treated water is developed and implemented. Some of the cost of capital facilities necessary to meet increases in demands for treated water would be paid through a "treated water" NDC, reducing the need to fund such expenditures from the treatment surcharge. Further, revenues from the new treated water peaking charge will help to mitigate future increases in the treatment surcharge.

Reclaimed and Emergency Rates

The reclaimed water rate will remain at \$113 per acre-foot for 1995-96. The emergency water rate will continue to be triple the ~~untreated~~ noninterruptible rate.

Seasonal Storage Rates

The seasonal storage rate has increased over the past several years to keep pace with increases in the costs of delivery of seasonal water. In the two most recent years, the rates for seasonal water have increased at a pace equal to eighty percent of the increase in noninterruptible water. Recent analysis indicates that the resulting discount is within the range of dollar benefits estimated for this type of service. Therefore, for fiscal year 1995-96, it is recommended that the untreated seasonal rate increase by \$7 per acre-foot and the treated seasonal rate increase by \$11 per acre-foot. Over the next ten months, analysis of the seasonal program and other water management programs may result in changes to the price for such water service, as well as programmatic changes to the structure of the program (including necessary provisions to assure regional benefits of storage deliveries).

Interim Agricultural Water Rates

In May 1994 your Board adopted the Interim Agricultural Water Program. At that time, the discounts for agricultural water deliveries were set at \$137 per acre-foot for treated water and \$113 per acre-foot for untreated water for the term of the three-year program. Thus, the interim agricultural water rates for 1995-96 will be \$289 per acre-foot for the treated water and \$231 per acre-foot for untreated water. Your Board directed staff to retain a consultant to assess the value of agricultural interruptibility to Metropolitan and report to the Board at the end of the first year of the Program. This study is ongoing and will be completed by May 1995.

Implementing Steps

The process for adopting the required revenues, water rates, and other charges is outlined in Figure 1. ~~In December, the Finance and Insurance Committee will consider the Revenue Requirements letter, and the Water Problems Committee will review the pending letter on Recommended Water Rates.~~ In January 1995, the Water Problems Committee will consider the final Recommended Water Rates letter. Also in January, the Resolution of

Intent to impose the RTS (including water standby charges) and the NDC in fiscal year 1995-96 will be adopted, and a public hearing on water rates will be set. In February, ~~the Water Problems Committee~~ your Board will conduct a public hearing on the proposed water rates and charges. Adoption of the water rates will follow in March. A public hearing on the water standby charge would be held in April, and the Resolution to Impose the 1995-96 water standby charge would be adopted in May.

The recommendation made in this letter is exempt from the California Environmental Quality Act (CEQA) by Public Resources Code Section 21080(b)(8) since it recommends restructuring of rates for the purposes of: 1) meeting operating expenses, 2) purchasing or leasing supplies, equipment or materials, 3) meeting financial reserve needs and requirements, and 4) obtaining funds for capital projects necessary to maintain service within existing service areas; and, additionally, since it constitutes the creation of government funding mechanisms which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects which have CEQA documentation or which will have CEQA documentation in place prior to construction of any facility or facilities.

Recommendation

It is recommended that the Board of Directors:

1) Find that the restructuring and setting of rates recommended in this letter is exempt from the California Environmental Quality Act by Public Resources Code Section 21080(b) (8) since it is for the purposes of: a) meeting operating expenses, b) purchasing or leasing supplies, equipment or materials, c) meeting financial reserve needs and requirements, and d) obtaining funds for capital projects necessary to maintain service within existing service areas; and, additionally, since it constitutes the creation of government funding mechanisms which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects which have CEQA documentation or which will have CEQA documentation in place prior to construction of any facility or facilities, and

2) Set a time for a hearing of the Board at which interested parties may present their views regarding

the General Manager's recommendation that the water rates for fiscal year 1995-96 be set by the Board as follows:

<u>Class of Service</u>	<u>Rates (\$/AF)</u>
Noninterruptible	
Untreated	344
Treated	426
Emergency Water	
Untreated	1,032
Treated	1,278
Reclaimed	113
Seasonal Storage	
Untreated	<u>230229</u>
Treated	<u>285286</u>
Connection Maintenance Charge	\$50/cfs of connected capacity per month
	Maximum charge per connection of \$5,000 per month
Interim Agriculture	
Untreated	231
Treated	289
3) That the Board approve the following resolutions:	
a) Resolution of intention to impose the RTS charge in the form shown as Exhibit A to this letter, declaring the Board's intention (i) to consider, at its March 13, 1995 meeting, and act upon the General Manager's recommendation to impose a readiness-to-serve charge and (ii) to consider, at its May 9, 1995 meeting, and act upon the General Manager's recommendation to impose standby charges within the territories of requesting member agencies as a means of collecting such readiness-to-serve charge.	
b) Resolution of intention to levy a new demand charge in the form shown as Exhibit eB to this letter.	

4) That the Executive Committee direct the General Manager to submit bimonthly progress reports and complete by November 1995 the studies necessary to address the following issues and that the Board review the outcome of these studies when developing rates and charges for 1996-97:

a) Ensuring that Revising Metropolitan's incentives and programs are revised as necessary to meet the local resource and groundwater storage targets identified in the IRP, and that these programs operate in a manner to ensure regional water supply benefits under normal supply and shortage conditions. The incentives associated with such programs will be commensurate with their regional benefit. The studies in support of the resolution of these issues include the completion of the analysis of Metropolitan's existing water management programs, including the seasonal storage program, local projects program, groundwater recovery program, and conservation credits program.

b) Preparing a Resources Management Program (long-term drought management program) that includes principles for use of water during surplus years and uses of stored water and otherwise available water during periods of shortage. This Resources Management Program would include procedures for allocation of supply.

c) The Developing criteria for water market purchases and Metropolitan's operating and pricing policies for the transportation of such water purchases.

5) That the Chairman of the Board appoint a special committee In light of the discussion regarding system equity at the December 1994 Board Meeting, direct the General Manager to convene a Task Group, comprised of Metropolitan staff and member agency managers, to assemble the appropriate information and necessary analysis to assist the committee to be appointed by the Chairman of the Board to review and make recommendations on system equity,

Board of Directors

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December 20, 1994

recognizing both the historic preferential rights of the member agencies and the total contributions of the member agencies to Metropolitan's system capital value.

John R. Wodraska
General Manager

Submitted by:

Debra C. Man

Debra C. Man
Chief of Planning and
Resources

Concur:

J. Wilkerson
John R. Wodraska
General Manager

JMB:arb

Attachments

Table 1
Summary of Cost Base and Revenue Base
By Charge

Charge	Description of Cost Base	Unit	Revenue Base
Commodity Charge	Debt Service not covered by RTS, NDC; O&M; Water Management Programs; Change in Reserves; PAYGO; SWP Costs; CRA	\$/AF	All Water Users
Seasonal Storage Service	Variable O&M; SWP Variable Costs; Debt Service	\$/AF	Agencies with Storage Capabilities
Readiness-to-Serve Charge	Debt Service for CIP to meet quality and reliability needs for 2.2 MAF of "normal" demands	\$/ year or \$/AF of Historical Demand	Water Users
Standby Charge	Capital improvements, water management programs, SWP, conservation	\$/acre or \$/parcel	Property Owner
New Demand Charge	Debt Service for CIP to meet reliability and quality needs above 2.2 MAF of "normal" demands	\$/AF	New Water Use
Connection Maintenance Charge	O&M needed to maintain connection	\$/CFS	All MWD Connections
Treated Water Peaking Charge	O&M, capital costs associated with additional capacity needed to meet "peak"	\$/CFS	Agencies with peak week use above 130% of average demands
Taxes	General Obligation Bond Debt Service, and SWP capital costs not paid by operating revenues.	\$/1,000 of assessed value	Property Owner

Table 2

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
PROJECTED REVENUES AND WATER RATES
WITH WATER STANDBY CHARGE
BASE SALES**

**FINAL REVENUE REQUIREMENTS
1995-96**

REVENUES (\$ In Millions)	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Water Revenue - Base	\$604	\$582	\$662	\$697	\$746	\$751	\$797	\$805	\$813	\$817
Treatment Surcharge Revenue	85	87	101	109	120	126	136	142	146	151
Taxes	80	81	82	85	87	90	94	94	94	94
Interest	24	25	26	27	28	31	33	36	37	38
Readiness-to-Serve Charge	0	7	23	50	86	133	137	137	140	141
Standby Charge	50	49	49	49	49	49	49	49	49	49
Power & Miscellaneous	19	22	23	25	26	26	26	26	26	26
Connection Maintenance Charge	0	6	6	6	6	6	6	6	6	6
New Demand Charge	0	0	0	2	4	9	15	21	27	32
Use of WRSF/Other	(45)	71	44	73	46	53	4	(28)	(36)	(11)
Total	\$817	\$929	\$1,017	\$1,122	\$1,199	\$1,273	\$1,295	\$1,288	\$1,301	\$1,343
Treated Peaking Charge	0	0	6	7	8	9	10	11	12	12
Projected Water Sales (AF per 1,000)	1,989	1,900	2,067	2,100	2,140	2,121	2,206	2,220	2,238	2,251
PROJECTED RATES (\$ per AF)										
Noninterruptible-Untreated	\$335	\$344	\$359	\$371	\$379	\$384	\$393	\$393	\$393	\$394
Noninterruptible-Treated	\$412	\$426	\$446	\$463	\$476	\$487	\$499	\$503	\$505	\$509
Untreated Rate Change	\$17	\$9	\$15	\$11	\$9	\$5	\$8	\$0	\$1	\$0
Treatment Surcharge Increase	\$10	\$5	\$5	\$5	\$5	\$6	\$3	\$4	\$2	\$3
MEMBER AGENCY IMPACT:										
-Rates and Charges	6.35%	5.11%	6.74%	6.74%	6.75%	6.74%	2.37%	0.63%	0.56%	0.43%

Minor differences due to rounding.

Seasonal Storage Rate:

Increase equals 80% of noninterruptible rate increase.

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Figure 1

IMPLEMENTING STEPS

Table 3
Proposed 1995-96 Readiness-To-Serve Charge

MEMBER AGENCIES	READINESS- TO-SERVE CHARGE	ESTIMATED STANDBY CHARGE REVENUES AT EXISTING PARCEL RATES			(a)
		\$568,344	\$136,170	\$402,201	
City of Anaheim	\$784,351	\$611,459	\$568,344	\$566,591	
City of Beverly Hills	\$455,232	\$466,104	\$136,170	\$136,050	
City of Burbank	\$697,144	\$713,778	\$402,201	\$401,548	
Callequas MWD	\$3,162,813	\$3,173,921	\$2,586,753	\$2,600,548	
Central Basin MWD	\$2,069,704	\$2,342,478	\$3,552,367	\$3,540,893	
Chino Basin MWD	\$1,039,588	\$1,108,239	\$1,772,963	\$1,629,194	
Coastal MWD	\$1,386,305	\$1,418,574	\$1,015,244	\$1,002,924	
City of Compton	\$180,845	\$183,208	\$161,836	\$161,068	
Eastern MWD	\$1,768,310	\$1,808,841	\$2,671,588	\$2,659,713	
Foothill MWD	\$279,158	\$285,818	\$313,982	\$311,535	
City of Fullerton	\$273,034	\$279,548	\$355,658	\$352,755	
City of Glendale	\$941,912	\$964,402	\$543,624	\$544,064	
Las Virgenes MWD	\$626,834	\$641,296	\$557,170	\$533,216	
City of Long Beach	\$1,453,303	\$1,378,138	\$1,076,732	\$1,078,020	
City of Los Angeles	\$8,812,038	\$8,307,100	\$6,703,182	\$6,703,989	
MWD of Orange County	\$5,674,874	\$5,810,325	\$5,751,754	\$5,768,816	
City of Pasadena	\$361,956	\$370,599	\$430,374	\$428,673	
San Diego CWA	\$14,801,215	\$14,866,336	\$12,437,982	\$12,363,616	
City of San Fernando	\$7,509	\$7,686	\$40,916	\$40,452	
City of San Marino	\$47,240	\$48,375	\$40,994	\$40,969	
City of Santa Ana	\$468,844	\$442,732	\$423,747	\$420,902	
City of Santa Monica	\$178,634	\$182,893	\$278,260	\$284,050	
Three Valleys MWD	\$2,058,448	\$2,107,580	\$1,886,897	\$1,856,323	
City of Torrance	\$723,143	\$740,410	\$467,516	\$461,756	
Upper San Gabriel Valley MWD	\$317,764	\$325,348	\$1,940,665	\$1,933,064	
West Basin MWD	\$5,499,886	\$5,443,889	\$3,759,330	\$3,770,295	
Western MWD of Riverside Co.	\$1,929,915	\$1,970,922	\$3,370,187	\$3,287,864	
Grand Total	\$56,000,000		\$53,246,434	\$52,878,892	

(a) This revised estimate is based on the most recent estimate of the number of parcel or acres in Metropolitan's service area. Actual revenue collected could be less than projected due to tax payment delinquencies, and is estimated to be \$49 million.

EXHIBIT A

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION [8464]

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
GIVING NOTICE OF INTENTION TO IMPOSE
READINESS-TO-SERVE CHARGE

WHEREAS, at its meeting on December 14, 1993, the Board of Directors ("Board") of The Metropolitan Water District of Southern California ("Metropolitan") approved the rate structure and additional revenue sources described in the Board letter on the Financial Structure Study dated December 1, 1993, including a readiness-to-serve charge, with implementation of these charges to begin in fiscal year 1995-96;

WHEREAS, providing firm revenue sources is a primary goal of such revenue structure;

WHEREAS, the amount of revenue to be raised by the readiness-to-serve charge shall be as determined by the Board and allocation of the readiness-to-serve charge among member public agencies shall be in accordance with the method established by the Board;

WHEREAS, Metropolitan has legal authority to impose such readiness-to-serve charge as a water rate pursuant to Section 134 of the Metropolitan Water District Act, as an availability of service charge pursuant to Section 134.5 of the Metropolitan Water District Act, and as a capital facilities fee pursuant to Section 54999.2 of the California Government Code;

WHEREAS, under authority of Sections 133 and 134 of the Metropolitan Water District Act, the Board has the authority to fix the rate or rates for water as will result in revenue which, together with other revenues, will pay Metropolitan's operating expenses and provide for payment of other costs, including payment of the interest and principal of Metropolitan's bonded debt;

WHEREAS, pursuant to Resolution 8329, adopted by the Board on July 9, 1991, proceeds of the readiness-to-serve charge and other revenues from the sale or availability of water are pledged to the payment of Metropolitan's outstanding revenue bonds issued and to be issued pursuant to Resolution 8329;

WHEREAS, under authority of Government Code Section 54999.2 Metropolitan may impose a capital facilities fee to pay the capital cost of facilities for the provision of water service;

WHEREAS, the readiness-to-serve charge is intended to recover the debt service, not paid from taxes, of expenditures for projects needed to meet the reliability and quality needs of existing users of Metropolitan's water;

WHEREAS, under authority of Section 134.5 of the Metropolitan Water District Act, a readiness-to-serve charge imposed as an availability of service charge may be collected from the member public agencies within Metropolitan, or may be imposed as a standby charge against individual parcels within Metropolitan;

WHEREAS, under such authority, the water standby charge may be imposed on each acre of land or each parcel of land less than an acre within Metropolitan to which water is made available for any purpose by Metropolitan, whether the water is actually used or not;

WHEREAS, certain member public agencies of Metropolitan have requested the option to provide collection of all or a portion of their readiness-to-serve charge obligation through a Metropolitan water standby charge imposed on parcels within those member agencies;

WHEREAS, Metropolitan may fix different standby charge rates for parcels situated within different member public agencies, and Metropolitan is willing to comply with the requests of member public agencies opting to have Metropolitan levy water standby charges within their respective territories, on the terms and subject to the conditions contained herein; and

WHEREAS, the provisions of the Uniform Standby Charge Procedures Act (USCPA), sections 54984-54984.9 of the Government Code, are available to any local agency authorized by law to provide water or water service, and authorized to fix, levy, or collect any standby or availability charge or assessment in connection with the provision of that service.

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

Section 1. That the public interest and necessity require the District to develop a reliable source of revenues less susceptible to seasonal and annual variation, through imposition of a readiness-to-serve charge to be collected from the District's member public agencies.

Section 2. That said readiness-to-serve charge should be in an amount sufficient to provide for payment of the debt service, not paid from ad valorem property taxes, of capital expenditures for projects needed to meet the reliability and quality needs of existing users of the District's water.

Section 3. That such readiness-to-serve charge for 1995-96 shall be a water rate equal to \$33 \$36.45 per acre foot, which shall be charged on a historic basis for each acre foot of water included in Metropolitan's average water deliveries to its member agencies for the two fiscal year period ending June 30, 1994, for an aggregate readiness-to-serve charge for 1995-96 of \$56,000,000.

Section 4. That in the alternative, and without duplication, the readiness-to-serve charge shall be a capital facilities fee in the aggregate amount of \$56,000,000, which shall be allocated as provided in Section 8 below.

Section 5. That this Board finds that the proposed readiness-to-serve charge is necessary for the purpose of financing construction costs of public utility facilities furnished by Metropolitan, and does not exceed the proportionate share of the cost of the public utility facilities of benefit to each person or property being charged, based upon the proportionate share of use of those facilities, as shown in the attached Engineer's Report.

Section 6. That in the alternative, and without duplication, the readiness-to-serve charge shall be an availability service charge pursuant to Section 134.5 of the Metropolitan Water District Act.

Section 7. That notice is hereby given to the public and to each member public agency of The Metropolitan Water District of Southern California of the intention of Metropolitan's Board to consider and take action at its regular meeting to be held March 13, 1995, on the General Manager's recommendation to impose a readiness-to-serve charge in the amount of \$56,000,000 for fiscal year 1995-96.

Section 8. That the readiness-to-serve charge shall be allocated among the member public agencies in proportion to the average of Metropolitan water sales (in acre feet) to each member public agency initially during the past two fiscal year period ending June 30, 1994. Long-term seasonal storage service, cyclic storage, and direct groundwater replenishment deliveries and water taken under the one-time drought storage agreements, Cooperative Storage Program through April 12, 1994, and 1993 Demonstration Program will be subtracted from the water sales calculation in the past two fiscal year period ending June 30, 1994. Long-term seasonal storage service water is defined as water that a member public agency leaves in storage past the end of the fiscal year through avoided production during a period of availability (normally October 1 through April 30). The amount of the readiness-to serve charge proposed to be imposed on each member agency for fiscal year 1995-96 is as follows:

Proposed 1995-1996 Readiness-to-Serve Charge

<u>Member Agency</u>	<u>Amount</u>
Anaheim	\$ 784,351
Beverly Hills	455,232
Burbank	697,144
Callequas MWD	3,162,813
Central Basin MWD	2,069,704
Chino Basin MWD	1,039,588
Coastal MWD	1,386,305
Compton	180,845
Eastern MWD	1,768,310
Foothill MWD	279,158
Fullerton	273,034
Glendale	941,912
Las Virgenes MWD	626,834
Long Beach	1,453,303
Los Angeles	8,812,038
MWD of Orange Co.	5,674,874
Pasadena	361,956
San Diego CWA	14,801,215
San Fernando	7,509
San Marino	47,240
Santa Ana	468,844
Santa Monica	178,634

Three Valleys MWD	<u>2,058,448</u>	\$2,107,580
Torrance	<u>723,143</u>	\$740,410
Upper San Gabriel <u>Valley</u> MWD	<u>317,764</u>	\$325,348
West Basin MWD	<u>5,499,886</u>	\$5,443,889
Western MWD of Riverside Co.	<u>1,929,915</u>	\$1,970,922
TOTAL	\$56,000,000	

Section 9. That the allocation of the readiness-to-serve charge among member agencies set forth in Section 8 above is consistent with the per-acre-foot water rate imposed pursuant to Section 3 above.

Section 10. That it is the intent of the Board that for fiscal years 1995-96, 1996-97, and 1997-98, a member public agency's readiness-to-serve allocation will be based on the average of Metropolitan water deliveries to each member public agency during the two fiscal years prior to the most recent fiscal year. For fiscal year 1998-99, a member public agency's readiness-to-serve allocation will be based on the average of Metropolitan water deliveries to each member public agency during the past three fiscal year period ending June 30, 1997. For fiscal year 1999-2000 and thereafter, a member public agency's readiness-to-serve allocation will be based on the average of Metropolitan water deliveries to each member public agency during the four fiscal year period prior to the most recent fiscal year. Long-term seasonal storage service, cyclic storage, Cooperative Storage Program, and contractual long-term storage water deliveries will be excluded from the readiness-to-serve calculation during the year of delivery but will be included in the year of use. Member public agencies shall indicate the amount and year in which the long-term stored water is used. Long-term seasonal storage service water must be accounted within seven years from the year in which the water was placed into storage. Member public agencies overlying a common groundwater basin shall be allowed to account for their purchases as a single, common purchaser.

Section 11. That the proposed readiness-to-serve charge and the amount applicable to each electing member public agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer's Report filed attached as Attachment 1~~Exhibit A~~ to this Resolution. The Engineer's Report, which forms the basis of the readiness-to-serve charge, is on file and available for review by interested parties at Metropolitan's headquarters.

Section 12. That except as provided in Section 16 below with respect to any readiness-to-serve charge collected by means of a Metropolitan water standby charge, the readiness-to-serve charge shall be due in ten equal monthly installments on the last business day (as defined in MWD Admin. Code, § 4507(a)(1)) of the month, commencing September 30, 1995.

Section 13. That such readiness-to-serve charge may, at the request of any member agency obligated to pay such readiness-to-serve charge, be raised by a Metropolitan water standby charge imposed upon land within Metropolitan's (and such member public agency's) service area to which water is made available by Metropolitan for any purpose, whether the water is actually used or not.

Section 14. That the rates of any standby charge proposed to be levied to collect all or a portion of a member public agency's readiness-to-serve charge, per acre of land, or per parcel of land less than an acre, as shown in the Engineer's Report, may vary by member public agency, and shall not exceed ~~the readiness-to-serve charge obligation of the member agency divided by the number of acres and/or parcels of less than one acre within such member agency or, if less the amount of Metropolitan's 1994-95 standby charge for the member public agency. The maximum proposed standby charge applicable to each electing member public agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer's Report attached as Attachment 1~~Exhibit A to this Resolution.

Section 15. That the maximum proposed standby charge, per parcel or per acre, applicable to land within each electing member public agency as allocated in the Engineer's Report shall be as follows:

Maximum Proposed 1995-1996 Standby Charge

<u>Member Agency</u>	<u>Amount</u>
Anaheim	\$8.55
Beverly Hills	\$15.00
Burbank	\$14.20
Calleguas MWD	\$9.58
Central Basin MWD	\$10.44
Chino Basin MWD	\$7.59
Coastal MWD	\$11.60
Compton	\$8.92
Eastern MWD	\$6.94
Foothill MWD	\$10.28
Fullerton	\$10.71
Glendale	\$12.23

Las Virgenes MWD	\$8.03
Long Beach	\$12.16
Los Angeles	\$8.68
MWD of Orange Co.	\$10.09
Pasadena	\$11.73
San Diego CWA	\$11.51
San Fernando	\$7.87
San Marino	\$8.24
Santa Ana	\$7.88
Santa Monica	\$13.07
Three Valleys MWD	\$12.21
Torrance	\$12.23
Upper San Gabriel <u>Valley</u> MWD	\$9.27
West Basin MWD	\$15.00
Western MWD of Riverside Co.	\$9.23

Section 16. That the proposed water standby charge, if imposed, shall be collected on the tax rolls, together with the ad valorem property taxes which are levied by Metropolitan for the payment of pre-1978 voter approved indebtedness. Any amounts so collected shall be applied as a credit against the applicable member agency's obligation to pay a readiness-to-serve charge. After such member agency's readiness-to-serve charge allocation is fully satisfied, any additional collections shall be credited to other outstanding obligations of such member agency to Metropolitan or future readiness-to-serve obligations of such agency. Notwithstanding the provisions of Section 12 above, Aany member agency requesting to have all or a portion of its readiness-to-serve charge obligation collected through standby charge levies within its territory as provided herein shall pay any portion not collected through net standby charge collections to Metropolitan within ninety days after June 30, 1996.

Section 17. That any member public agency which requests to provide for collection of all or a portion of its readiness-to-serve charge obligation by a Metropolitan water standby charge imposed upon land within its service area to which water is made available by Metropolitan for any purpose shall do so by furnishing to Metropolitan (Attn: Director of FinanceChief of Planning and Resources) not later than March 1, 1995, a certified copy of a resolution or other official action of its governing body or written request from its General Manager electing such option. By making such request and providing such resolutiion to Metropolitan, a member agency will demonstrate that it agrees to all the terms and conditions of this Resolution.

Section 18. That notice is hereby given to the public and to each member public agency of The Metropolitan Water District of Southern California of the intention of

Metropolitan's Board to consider and take action at its regular meeting to be held May 9, 1995, on the General Manager's recommendation to impose a water standby charge for fiscal year 1995-96 under authority of Section 134.5 of the Metropolitan Water District Act and the USCPA on land within the member public agencies providing such ~~resolution written request~~ to Metropolitan on or before March 1, 1995, at the rates, per acre of land, or per parcel of land less than an acre, specified in ~~such resolution (or, if less, or if no rate is specified in such resolution, at the rate specified in Section 15 above.)~~ Section 15 above.

Section 19. That the Board will meet in regular session at its meeting on April 11, 1995, to hold a public protest hearing at which interested parties may present their views regarding any proposed standby charges and the Engineer's Report. Any member of the public may submit a written protest or other comments either at a scheduled hearing or by mail to the Executive Secretary of The Metropolitan Water District of Southern California, at Post Office Box 54153, Los Angeles, California 90054-0153. All written protests and comments presented at the hearings or received by the Executive Secretary on or before April 11, 1995, which contain a description sufficient to identify the land owned by the landowner will be given due consideration by the Board before its final action on the proposed standby charge. The USCPA provides that if the Board receives written protests (which protests are not withdrawn at the time of determination by the Board) representing 40 percent of the parcels subject to the proposed standby charge, the matter must be tabled for at least one year. If the Board receives such protests representing 15 percent or more of the parcels subject to the proposed charge, the Board may still adopt the charge, but the charge will be ineffective until approved by a majority of the vote in a landowner election within the District.

Section 20. That it is the intent of the Board that the following lands shall be exempt from the water standby charge: (a) lands owned by the Government of the United States, the State of California, or by any political subdivision thereof or any entity of local government; (b) lands permanently committed to open space and maintained in their natural state that are not now and will not in the future be supplied water; (c) lands not included in (a) or (b) above, which the General Manager, in his discretion, finds do not now and cannot reasonably be expected to derive a benefit from the projects to which the proceeds of the water standby charge will be applied; and (d) lands within any member public agency, subagency, or city if the governing body of such public entity elects and commits to pay out of funds available for that purpose, in installments at the time and in the

amounts established by Metropolitan, the entire amount of the water standby charge which would otherwise be imposed upon lands within those public entities. The General Manager may develop and implement additional criteria and guidelines for exemptions in order to effectuate the intent expressed herein.

Section 21. That the General Manager shall establish and make available to interested applicants procedures for filing and consideration of applications for exemption from the water standby charge pursuant to subsections (b) and (c) of Section 20 above. All applications for such exemption and documents supporting such claims must be received by Metropolitan in writing on or before December 31, 1995. The General Manager is further directed to review any such applications for exemption submitted in a timely manner to determine whether the lands to which they pertain are eligible for such exemption and to allow or disallow such applications based upon those guidelines. The General Manager shall also establish reasonable procedures for the filing and timing of the appeals from his determination, pursuant to Section 22 below.

Section 22. That an Ad Hoc Committee of the Board shall be appointed by the Chairman of the Board for the purpose of considering, in the Committee's discretion, appeals from determinations by the General Manager to deny or qualify an application for exemption from the water standby charge pursuant to Section 20 above. The Ad Hoc Committee shall consider such appeals and make recommendations to the Board to affirm or reverse the General Manager's determinations. The Board shall act upon such recommendations and its decision as to such appeals shall be final.

Section 23. That no exemption from the water standby charge shall reduce the applicable member agency's readiness-to-serve charge obligation, nor shall any failure to collect, or any delay in collecting, any standby charges excuse or delay payment of any portion of the readiness-to-serve charge when due. All amounts collected as water standby charges pursuant to this Resolution shall be applied solely as credits to the readiness-to-serve charge of the applicable member agency, with any excess collections being carried forward and credited against ~~readiness-to-serve charge other outstanding obligations in future fiscal years of such member agency to Metropolitan~~.

Section 24. That in the event that the readiness-to-serve charge is determined to be an unauthorized or invalid availability of service charge by a final judgment in any proceeding at law or in equity, which judgment is not subject to appeal, or if the collection of the readiness-to-serve charge as an availability of service charge shall be

permanently enjoined and appeals of such injunction have been declined or exhausted, or if Metropolitan shall determine to rescind or revoke the readiness-to-serve charge, then no availability of service charge shall be imposed on any member agency until the procedures for collection of water standby charges by the applicable county have been completed (not including extraordinary procedures for collection of delinquent amounts, which the General Manager may waive on behalf of Metropolitan). Immediately upon revocation of the readiness-to-serve charge under these circumstances, any member agency which has not requested that Metropolitan impose a standby charge upon parcels of land within its territory as a means of collecting the readiness-to-serve charge shall be deemed to have made such request, and all readiness-to-serve charges previously paid or to be paid by member agencies to Metropolitan shall be deemed to be cash payments in lieu of standby charges. Following collection of standby charges by the counties, the readiness-to-serve charge shall be reimposed for the remainder of the fiscal year and the uncollected portion shall be due and payable on the last business day of the fiscal year and shall become delinquent if not paid within ninety days.

Section 25. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

Section 26. That this Board finds that the proposed readiness-to-serve charge and other charges provided in this Resolution are exempt from the provisions of the California Environmental Quality Act (CEQA) since they are 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; and, additionally, since they constitute the creation of government funding mechanisms which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects which have CEQA documentation or will have CEQA documentation in place prior to construction of any facility or facilities.

Section 27. That if any provision of this Resolution or the application to any member agency, property or person whatsoever is held invalid, that invalidity shall not affect other provisions or applications of this Resolution which can be given effect without the invalid portion or

application, and to that end the provisions of this Resolution are severable.

Section 28. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by mailing or by publication.

Section 29. That the Executive Secretary is hereby directed to transmit a certified copy of this Resolution to the presiding officer of the governing body of each member public agency.

I HEREBY CERTIFY, that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on January 10, 1995.

Executive Secretary
The Metropolitan Water District
of Southern California

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12-28-94

ATTACHMENT 1**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA****ENGINEER'S REPORT****PROPOSED PROGRAM TO LEVY READINESS-TO-SERVE CHARGES,
INCLUDING LOCAL OPTION FOR STANDBY CHARGES,
DURING FISCAL YEAR 1995-96**

January 1995

REPORT PURPOSE

The Metropolitan Water District of Southern California (Metropolitan) has built and is building major capital facilities and has implemented water management programs that provide water supplies and delivery throughout its service area. This report has two purposes: (1) to describe the water supply capital projects and programs, which provide benefits both locally and throughout the service area and will be financed in part by Metropolitan's proposed readiness-to-serve (RTS) charge, including a local option to collect the RTS charge through the levy of a Metropolitan standby charge within certain member agencies, and (2) to address the method and basis for levying a standby charge on benefiting properties.

These facilities and programs consist of the State Water Project system, a major regional water storage reservoir, system-wide improvements and rehabilitation, water conservation projects, and financial assistance for water recycling facilities and groundwater recovery facilities. This combination of facilities and programs is an integral part of Metropolitan's strategic plan to maintain reliable water supplies and to insulate the service area from disruptions in water service during droughts and natural emergencies.

The RTS charge will be imposed by Metropolitan on its member agencies to recover the debt service on bonds issued to finance capital facilities needed to maintain reliable service of good quality water to meet existing demands on Metropolitan's system. The standby charge may, if a member agency so chooses be levied on parcels of land within Metropolitan's member agencies as a method of collecting part or all of the RTS charge obligation of the member agency in which the parcel is located. The RTS charge will partially pay for the value of the projects and programs described in this report.

The major source of Metropolitan's revenues is water sales. Ad valorem property taxes used to pay pre-1978 voter-approved indebtedness provide an additional limited revenue source. Major capital projects are financed largely by proceeds of revenue bond issues, which in turn are repaid over future years. These repayments are principally from water sales

revenues. In December 1993 Metropolitan's Board of Directors approved a revenue structure that includes additional charges (including the RTS charge) to provide a more equitable method of allocating costs between existing and new demands, establish a commitment to Metropolitan's capital improvement program and provide revenue stability. The RTS charge and a charge to recover debt service on projects required to meet anticipated new demands (the new demand charge) will provide for payment of debt service on revenue bonds. The standby charge is utilized as a mechanism for collection of the RTS charge to allow a member agency to more equitably allocate its RTS costs among its water users and other beneficiaries of its service.

BACKGROUND

Delivery of water is one of the essential infrastructure services in an industrial economy. Like electrical energy, natural gas, transportation, and telecommunications, water is used by every household, and virtually every business and industry in Southern California. Because these services are so widespread in a modern economy, shortages can have far reaching and serious consequences.

Metropolitan imports supplemental water supplies for nearly 16 million residents in portions of six counties—Los Angeles, Orange, Ventura, Riverside, San Bernardino, and San Diego. In this 5,200 square mile service area, more than half of the water supplies are imported from the Colorado River and California's State Water Project (SWP). Metropolitan is a public agency charged with providing these water supplies, as a supplement to local groundwater and surface water resources.

Metropolitan's service area has experienced a shortage of dependable water supplies in the recent past, and given the cyclical nature of hydrologic conditions, expects to experience shortages in the future. The dependable imported supplies from the Colorado River and SWP are currently inadequate to meet the existing water needs of Metropolitan's service area.

Reliability of future imported water supplies is decreasing. New, more stringent water quality standards and the Endangered Species Act decrease the reliability of the SWP. Less reliable water supplies not only impact residential consumers, but an increasingly significant factor that undermines business confidence in the Southern California economy. In fact, recent evidence indicates that reductions in water supply reliability will discourage plant and equipment investment in the state, which will translate directly into lost production, reductions in income, and lost jobs.

Barring major improvements in Metropolitan's water supply program, water supply reliability in its service area will continue to decline. Since 1963, when construction of the SWP's

California Aqueduct began, the population Metropolitan serves has nearly doubled and the annual Gross State Product has increased from \$76 billion to nearly \$750 billion. Since that time, no major water resource facilities have been added.

Metropolitan experienced an 800,000 acre-foot shortage and instituted a conservation program calling for a 30 percent reduction in water deliveries in 1991, the fifth consecutive year of drought. An acre-foot of water is about 326,000 gallons and represents the needs of two average families, in and around the home, for one year. This magnitude of shortage had a one year in fifty likelihood of occurrence in 1991. Absent any capital projects and resource programs to increase the region's water supply reliability, the likelihood that consumers will again experience similar drought conditions and water supply shortages will increase to one year in two by year 2010. Metropolitan's full participation in the SWP becomes even more critical in maintaining Southern California's dependable water supplies. Continuation of Metropolitan's investment in water conservation, water storage, water recycling facilities, and groundwater recovery facilities is also necessary to meet water requirements in the six-county area.

METROPOLITAN'S RESPONSE TO WATER SHORTAGES

Metropolitan is continuing its water supply program to maintain the reliability of its water supply and delivery system and to meet the needs of existing and potential consumers and land uses within its service area. This program includes the construction of capital facilities and implementation of water management programs. Capital facilities, representing substantial current expenditures, include the State Water Project aqueduct system, the Domenigoni Valley Reservoir Project, and water distribution system improvements and rehabilitation. These facilities provide the storage and transmission of water required throughout Metropolitan's service area. The benefits of these capital projects are local and also system-wide, as the facilities directly increase water supplies and reliable delivery of water throughout Metropolitan's service area.

Water management programs include Metropolitan's participation in financing the construction of water recycling, conservation projects, and groundwater recovery facilities by local agencies. The water recycling and groundwater recovery programs provide new water supplies. The benefit of the water conservation program is the saving of existing water supplies. These programs have assisted in the construction of projects throughout the six-county area and benefit Metropolitan's water users both locally and system-wide.

STATE WATER PROJECT

Financing for the State Water Project (SWP) was authorized by the Burns-Porter Act in 1959. The SWP provides water to 20 million people living throughout California. The initial project included dams and reservoirs to store water when available, and aqueducts to transport the water to the 29 agencies (Contractors) that have contracted for water. With its existing facilities, the SWP can deliver, on a "firm" basis, 2.3 million acre-feet of water a year. However, the Contractors have contracted for long-term project deliveries in excess of 4.2 million acre-feet. Furthermore, constraints resulting from EPA regulations and standards for the Delta may reduce future SWP deliveries to all Contractors, including Metropolitan. The State Department of Water Resources (DWR) is currently planning additional facilities to increase entitlement deliveries and water transfers. Metropolitan has contracted with DWR for deliveries of over 2 million acre-feet of water and pays a proportionate share of SWP's capital debt and operation and maintenance costs to DWR. One element of the potential benefits of the proposed RTS charge is intended to pay a part of Metropolitan's proportionate share of SWP costs. State project water is distributed to existing consumers in all six counties within Metropolitan's service area. The potential benefit of the State Water Project in fiscal year 1995-96 is shown in Table 1.

DOMENIGONI VALLEY RESERVOIR PROJECT

The Domenigoni Valley Reservoir Project, along with water transfers, comprehensive groundwater management, conservation, and recycling programs already implemented, is needed to ensure reliable water supplies and delivery to Metropolitan's consumers throughout the service area. This new reservoir is designed to provide 800,000 acre-feet of storage capacity. Water from the Colorado River Aqueduct and SWP are scheduled for Domenigoni Valley Reservoir Project storage and subsequent distribution throughout Metropolitan's service area.

Storage within Metropolitan's water system is vital to regulate fluctuating sources of supply, to meet varying customer demands, and to provide assured water service during droughts and earthquakes. The water sources available to Metropolitan are subject to droughts which may extend over several years, and to direct physical interruption from earthquakes, since both the California Aqueduct and the Colorado River Aqueduct cross major faults before reaching Metropolitan's service area. The reservoir will permit Metropolitan to accumulate water from a variety of sources, to be held in storage or scheduled for replenishment delivery to groundwater basins. This stored water provides a reserve against shortages when supply sources are limited during periods of low precipitation or disrupted during natural emergencies. The reservoir also preserves Metropolitan's capability to deliver water during scheduled maintenance periods,

when facilities must be removed from service for rehabilitation, repair, or maintenance. The potential benefit of the Domenigoni Valley Reservoir Project in fiscal year 1995-96 is shown in Table 1.

WATER RECYCLING PROGRAM

In 1981 Metropolitan initiated the Local Projects Program, which provides financial assistance to local water recycling projects, to reduce demands on imported supplies and thereby increase the total water resources available for both local areas and Metropolitan. These projects recycle wastewater for non-potable uses, such as in industry and in irrigation of parks, greenbelts, cemeteries, and golf courses. In fiscal year 1995-96, 32 projects throughout the service area are projected to receive a financial incentive of \$154 per acre-foot from Metropolitan's Local Projects Program and recycle approximately 60,000 acre-feet of water. In the future, the number of projects participating in the program may double and they may annually recycle 200,000 acre-feet of water. An estimate of potential water recycling benefits is given in Table 2.

WATER CONSERVATION PROJECTS

Metropolitan actively promotes water conservation programs within its service area as a realistic strategy for ensuring the long-term reliability of supplies. Every gallon of water conserved is a gallon that need not be acquired, transported, or treated. Through programs such as the Conservation Credits Program and other creative financing mechanisms, Metropolitan reimburses local agencies for a share of their costs of implementing conservation projects. Over the past three years, Metropolitan has spent almost \$50 million co-participating in local conservation projects, and more than \$80 million has been spent regionally.

In 1991, Metropolitan and many other urban water agencies in California agreed to implement conservation "Best Management Practices" (BMPs). By signing the Memorandum of Understanding Regarding Urban Water Conservation in California, these agencies committed to implement proven and reliable water conserving technologies and educational programs for conservation within their jurisdictions. The BMPs represent a giant step forward in uniting urban areas in reducing consumption through improved management of existing water supplies and cost-effective implementation of water-saving technology and water-wise policy.

Metropolitan's Conservation Program represents the largest financial commitment to water conservation practices in the nation. The program is both comprehensive and flexible in addressing residential, commercial, industrial, institutional, and landscape water use. In fiscal year 1995-96, conservation measures are expected to reduce urban water demand in the service

area by 398,000 acre-feet. By 2010, it is estimated that conservation practices will save 737,000 acre-feet, reducing total water demand by 15 percent. Conservation is a critical element of Metropolitan's demand management program, effectively increasing the reliability of existing water supplies and lessening the need to import additional water. An estimate of potential water conservation benefits is given in Table 2.

GROUNDWATER RECOVERY PROGRAM

In 1987, it was estimated that 80,000 acre-feet of annual groundwater production within Metropolitan's service area was unusable because of mineral or organic contamination. In addition, the dependable groundwater supplies in the region are threatened by spreading of mineral and organic constituents.

Because of the value of the region's groundwater resources, Metropolitan's Groundwater Recovery Program was established to encourage member agencies to recover and treat contaminated groundwater and to avoid further degradation of the basins. Under this program, Metropolitan promotes the development of treatment and remediation plants by offering financial incentives to its member agencies to recover and treat contaminated supplies.

Projects currently authorized under Metropolitan's Groundwater Recovery Program will annually recover 30,000 acre-feet of contaminated groundwater when fully operational in a few years. By the year 2005, the Groundwater Recovery Program is expected to yield 200,000 acre-feet per year. To meet this goal, additional replenishment from imported and recycled water sources will be required to sustain production levels. An estimate of potential benefits of groundwater recovery projects is given in Table 2.

SYSTEM IMPROVEMENTS

Metropolitan has an ongoing commitment, through physical system improvements, to maintain the reliable delivery of water throughout the entire service area. System improvement projects include additional conveyance facilities to increase dependable water supplies, provide alternative system delivery capacity, and enhance system operations. It also includes projects to upgrade obsolete facilities or equipment, or to rehabilitate or replace spent facilities or equipment. These projects are needed to enhance system operations, comply with new regulations, and maintain a reliable distribution system. A list of distribution system improvement projects is given in Table 3.

LONG-RANGE FINANCIAL PLANNING

A reliable water supply comes at a cost. Metropolitan is reevaluating how these costs should be borne by current and

future users. Since passage of Article XIII A of the California Constitution (Proposition 13 of 1978), Metropolitan has necessarily relied more on water sales revenue than on ad valorem property taxes for the payment of construction debt. Water sales have become the dominant source of revenue, not only for operation and maintenance of the vast network of facilities supplying water to Southern California's coastal plains, but for replacement and capital improvement.

The increased reliance on highly variable water sales revenue increases the probability of substantial rate swings from year to year mainly resulting from changing weather patterns and has placed an increasing burden on current rate payers, which might more equitably be paid in part by land assessments and new growth.

READINESS-TO-SERVE CHARGE

The RTS charge is a component of the rate structure approved in December 1993 intended to recover costs associated with water supply and system reliability, and water quality for existing users. The estimated potential benefits that could be paid by an RTS charge are shown in Table 1. Potential benefits are estimated to be \$233,515,000 in fiscal year 1995-96.

The RTS charge is a new source of firm revenue to Metropolitan. Although the RTS charge could be set to recover the entire potential benefit amount, the General Manager is recommending that the RTS charge only recover the principal and interest payments on non-tax supported debt service that has been or will be issued to fund capital improvements associated with meeting the reliability and quality needs of existing users. For fiscal year 1995-96 this is estimated to be \$56,000,000 (System Improvements plus Domenigoni Valley Reservoir Project). The capital projects considered for the RTS charge are shown in Table 3. Allocations of in-progress capital projects to existing and future users are discussed in the "Nexus Study in Support of Metropolitan's New Demand Charge," January, 1995. These funds, when melded with Metropolitan's overall financial resources, will result in greater rate stability in water rates for all users throughout the Metropolitan service area.

The RTS charge for fiscal year 1995-96 is allocated to each member agency on the basis of a two year rolling average of historic water purchases from Metropolitan, including sales for consumptive demands, agriculture, and storage. Basing the charge on historical usage encourages water management practices and more equitably apportions the charges. The RTS charge for each member agency is shown in Table 4. The RTS charge assures that all member agencies pay a share of the fixed costs to meet their reliability and quality needs.

STANDBY CHARGE OPTION

Metropolitan's standby charge is authorized by the State Legislature. It represents an acknowledgment that ad valorem property taxes and revenues from water rates and charges imposed on Metropolitan's member agencies do not necessarily represent the fairest and most equitable way of recovering debt service for capital improvements from benefiting properties.

The advantage of the standby charge is that it recognizes that there are economic benefits to lands that have access to a water supply, whether or not such lands are using it. The charge transfers from water rates and ad valorem taxes some of the burden of maintaining the capital infrastructure for a water system to all the benefiting properties within the service area. There is much unimproved land that enjoys the benefits of belonging to Metropolitan and has legal access to water. A fraction of the value of this benefit and of the cost of providing it can be effectively recovered, in part, through the imposition of a standby charge. The projects to be supported in part by a standby charge are those projects that are of both local and District-wide benefit to existing water users, as well as current landowners. The estimated potential benefits system-wide are several times the amounts to be recovered by means of the standby charge.

Standby charges will be levied by Metropolitan only within the areas served by member agencies which request, in writing, that standby charges be utilized as a means of collecting that agency's RTS obligation. Under the local option to levy standby charges during fiscal year 1995-96, the standby charge for each acre or parcel of less than an acre will vary from member agency to member agency, as permitted under the legislation establishing Metropolitan's standby charge. The charge for each member agency requesting to utilize this option will be based on Metropolitan's fiscal year 1994-95 standby charge for such member agency.

The estimated potential benefits of Metropolitan's water supply program, that could be paid by a standby charge, is approximately \$233,515,000 for fiscal year 1995-96, as shown in Table 1. An average total standby charge of \$44.68 per acre of land or per parcel of less than one acre would be necessary to pay for the total potential program benefits. However, the General Manager is only recommending that approximately \$53,000,000 (23 percent) of the total program benefits be paid by the standby charge. This results in an average combined standby charge of about \$10 per acre of land or per parcel less than one acre. In no case will the standby charge exceed \$15 per acre of land or per parcel less than one acre. Metropolitan will use other revenue sources, such as water sale revenues, new demand charge revenues, ad valorem taxes, readiness-to-serve charge revenues (except to the extent collected through standby charges,

as described above), interest income, and revenue from sales of hydroelectric power, to pay for the remaining \$180,515,000 (77 percent) of the total program benefits. Thus, the benefits of Metropolitan's water supply program far exceed the recommended standby charge.

Table 5 shows that the distribution of revenues from the various counties and agencies could provide a net revenue flow of approximately \$53 million for fiscal year 1995-96. This total amount is less than projected collections from the RTS charge.

EQUITY

The RTS charge is a firm revenue source from Metropolitan's perspective. The revenues to be collected through this charge will not vary with sales volumes. This charge is imposed to assure that agencies which only occasionally purchase water from Metropolitan but receive the reliability benefits of Metropolitan's system pay a greater share of the costs to provide that reliability. Within member agencies which elect to pay the RTS charge through Metropolitan's standby charges, the standby charge results in lower water rates than would otherwise be necessary due to the amount of revenue collected from lands which benefit from the availability of Metropolitan's water supply. With the standby charge, these properties are now contributing a more appropriate share of the cost of producing and supplying water to Southern California.

Metropolitan's water supply program increases the availability and reliable delivery of water throughout Metropolitan's service area. Increased water supplies benefit existing consumers and land uses through direct deliveries to consumer taps and properties, and through the replenishment of groundwater basins and reservoir storage as reserves against shortages due to droughts, natural emergencies, or scheduled facility shut-downs for maintenance. The benefits of reliable water supplies from the State Water Project, Colorado River, Domenigoni Valley Reservoir Project, and system improvements accrue to more than 250 cities and communities within Metropolitan's six-county service area. Metropolitan's regional water system is interconnected, so that water supplies from the State Project and Domenigoni Valley Reservoir Project can be used interchangeably throughout most of the service area and benefit water users and properties system-wide in a uniform manner.

Additional Metropolitan deliveries required in the coming fiscal year due to the demands of property development will be reduced by the implementation of water management projects, including water conservation, water recycling, and groundwater recovery projects. As with the State Water Project supplies and infrastructure improvements, these water management projects are essential in increasing the future reliability of

water supplies and provide system-wide benefits by increasing the amount of imported water available to serve all other areas. However, the abilities of each member agency to implement these projects under Metropolitan's financial assistance programs vary and are generally represented by the historical use of imported Metropolitan water.

A major advantage of a firm revenue source, such as a RTS charge, is that it contributes to revenue stability during times of drought or lack of water sales. It affords Metropolitan additional security, when borrowing funds, that there is a portion of the revenue stream that will not be affected by drought or by rainstorms. This security will help maintain Metropolitan's historically high credit rating, which results in lower interest expense to Metropolitan, and therefore, lowers overall cost to the residents of its service area.

SUMMARY

The foregoing and the attached tables describe the current benefits provided by the projects listed as mainstays to the water supply system for Metropolitan's service area. Benefits are provided to both water users as well as property. The projects represented by this report provide both local benefits as well as benefits throughout the entire service area. It is recommended, for fiscal year 1995-96, that the RTS charge be imposed with an option for local agencies to request that a standby charge be imposed on lands within Metropolitan's service area as a credit against such member agency's readiness-to-serve charge, up to the standby charge per acre or parcel of less than one acre levied by Metropolitan within the applicable member agency for fiscal year 1994-95. The maximum standby charge would not exceed \$15 per acre of land or per parcel of less than one acre. The benefits described in this Engineer's Report far exceed the recommended charge. A listing of all parcels in the service area and the proposed 1995-96 standby charge for each is found on the report entitled "Metropolitan Water District Proposed Standby Charge Report - Tax Year 1995-96" which is incorporated herein by reference.

TABLE 1
**ESTIMATED DISTRIBUTION OF BENEFITS OF WATER SUPPLY
PROGRAM THAT COULD BE PAID BY RTS CHARGE**

Water Supply Program	Estimated Potential Program Benefits FY 1995-96	\$ Per Acre or \$ Per Parcel Less Than 1 Acre
Capital Payments to State Water Project (Less Portion Paid by MWD Taxes)	\$143,425,000	\$27.45
Water Storage to Offset Existing Water Shortages--Domenigoni Valley Reservoir Project	\$10,000,000	\$1.91
Water Recycling, Groundwater Recovery, and Water Conservation Projects	\$34,090,000	\$6.52
System Improvements	\$46,000,000	\$8.80
TOTAL	\$233,515,000	\$44.68
 Estimated Revenue Payment To Fund Benefits FY 1995-96		
Estimated Sources of Revenue		
Water Sales Revenues, Ad Valorem Taxes		
Interest Income, Sales of Hydroelectric Power	\$177,515,000	
RTS Charge Revenue	\$56,000,000	
TOTAL	\$233,515,000	

TABLE 2

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**WATER RECYCLING, GROUNDWATER RECOVERY
AND CONSERVATION PROJECTS**

Project Name	F.Y. 1995-96 Benefit
Water Recycling Projects	\$9,700,000
Arlington Basin Groundwater Desalter Project	
Long Beach Reclamation Project	
Irvine Reclamation Project	
Santa Margarita Water Reclamation Expansion Project	
Glenwood Nitrate Water Reclamation Project	
Lakewood Water Reclamation Project	
Green Acres Reclamation Project	
South Laguna Reclamation Expansion Project	
Fallbrook Sanitary District Water Reclamation Project	
Calabasas Reclaimed Water System Extension Project	
Glendale Water Reclamation Expansion Project	
Trabuco Canyon Reclamation Expansion Project	
Shadowridge Water Reclamation Project	
Los Angeles Greenbelt Project	
Santa Maria Water Reclamation Project	
Moulton Niguel Water Reclamation Project	
San Clemente Water Reclamation Project	
Rancho California Reclamation Expansion Project	
Walnut Valley Water Reclamation Expansion Project	
San Pasqual Water Reclamation Project	
Oceanside Water Reclamation Project	
Century Reclamation Program	
Oak Park/North Ranch Reclaimed Water Distribution System	
Otay Water Reclamation Project Phase I	
Encina Water Pollution Control Facility Reclamation Project	
Cerritos Reclaimed Water Expansion Project	
Rio Hondo Water Reclamation Program	
Encina Basin Water Reclamation Project Phase I	
Rancho Santa Fe Reclaimed Water System	
Burbank Reclaimed Water System Expansion Project	
Sepulveda Basin Water Reclamation Project	
West Basin Water Reclamation Project	
Groundwater Recovery Projects	\$2,890,000
Oceanside Desalter (No. 1)	
Burbank Lake Street Plant	
West Basin (No. 1)	
Irvine Desalter Project	
Tustin Desalter Project	
Rowland GW Treatment Project	
Conservation Projects	\$21,500,000
Ultra-low-flush Toilet Retrofits	
Showerhead Retrofits	
Landscape Water Conservation	
Commercial and Industrial Water Evaluations and Retrofits	
Water and Energy Conservation Partnership	
Distribution System Leak Detection and Repair	
Indoor and Outdoor Residential Water Audits	
Governmental and Institutional Water Audits	
Conservation Pricing Pilot Program and Studies	
Pilot Projects for "Potential" Best Management Practices	
Total	\$34,090,000

TABLE 3

DISTRIBUTION SYSTEM IMPROVEMENT PROJECT BENEFITS

Distribution System Improvement
All Plants - Replace Power Supply System
All Plants - Replace Water Flowmeter Instruments
All Pump Plants 230KV External Heat Exchangers
Allen-McColloch Pipeline Purchase
Auld Valley Pipeline #1
Box Springs Feeder - Schedule 316
Central Pool Augmentation Project
Centralized Control System - Eagle Rock Area
Centralized Control System - General Design
Centralized Control System - Hdqtrs Monitoring
Chemical Unloading Facility
Chino Basin Groundwater Storage Program
Chlorination Structure - Foothill Feeder
Chlorination System @ Reservoirs
Colorado River Aqueduct - Gene Plant Heat Exchanger
Colorado River Aq - Hinds Pump Plant, Modify Pump Impeller
Colorado River Aqueduct - Install Water Level Alarm System
Colorado River Aqueduct - Modification of Blowoff Structure
Colorado River Aqueduct - Replace Circuit Breakers
Colorado River Aq - Replace Gene Pump Plant Station Service
Colorado River Aqueduct - Replace Transformer Bank No. 1
Colorado River Aqueduct - Water Storage
Colorado River Aq - Intake Pump Plants, Replace Sta Service
Desalination Demonstration Project
Distribution System - Replace Flowmeter Instruments
District Reservoirs - Aqueous Ammonia Feed
Dist. System Improvements - Chemical Unloading
Eagle Mountain, Hinds - Service Facilities
Eagle Mountain/Hinds - Modify Pumps
Eagle Mtn/Hinds - Pump Modifications
Eagle/Hinds Rehabilitate 2 Main Transformer
Eagle/Hinds - Replace Vibration Monitors
East Valley Feeder - Relocate at Hollywood
East Valley Feeder - Structural Modifications
Enlarge Foothill Feeder Control Structure
Enlargement of Chemical Unloading Facility
Etiwanda Pipeline
Foothill Area Study
Foothill Feeder, Devil Canyon Power Plant
Foothill Feeder - Rialto Pipeline
Foothill Feeder - San Dimas Facilities
Foothill Feeder - San Fernando Tunnel
Foothill Feeder - San Fernando Tunnel
Garvey Reservoir Junction Structure
Garvey Reservoir Junction Structure - Replace Valves
Garvey Reservoir - Floating Cover
Garvey Reservoir - Inlet & Outlet Conduit
Garvey Reservoir - Junction Structure

TABLE 3 (CONTINUED)**DISTRIBUTION SYSTEM IMPROVEMENT PROJECT BENEFITS**

Distribution System Improvement
Garvey Reservoir - Modify Desilting Basins
Gene Pump Plant - Mechanical Maintenance Shop
Gene Pump Plant - Replace 230KV Circuit Breaker
Gene Pump Plant - Replace Power Cable
Gene Pumping Plants - Testing Lab Addition
Hinds - Rehabilitation Bank 1 Main Transformer
Hinds - Replace 230V Circuit Breakers
Inland Feeder R/W (BSF, Lakeview, SD 4 & 5)
Inland Feeder System - Perris Control Facility
Inland Feeder
Install Chlorine & Ammonia Analyzers
Intake Pumping Plant - Replace Standby Generator
La Verne Facility - Machine Shop
La Verne Facility - Maintenance Shop
La Verne Facility - Modifications
La Verne Facility - Paint Drying Facility
La Verne Facility - Replace Machine Shop
La Verne Facility - Wheeler Ave Entrance
La Verne Maintenance Facility Expansion
Lake Mathews Chlorination Facility
Lake Mathews Control Tower - Replace Valves
Lake Mathews Dike #1 - Install Piezometers
Lake Mathews Forebay Outlet Structure
Lake Mathews Outlet Tower - Maintenance
Lake Mathews - Domestic Water System
Lake Mathews - Electrical System
Lake Mathews - Lumber Storage Building
Lake Mathews - Propane Storage Tank
Lake Mathews - Rehabilitate Electrical System
Lake Mathews - Replace Electrical Service
Lake Mathews - Replace Howell-Bunger Valve
Lake Mathews - Replace Southerly Security Fence
Lake Mathews - Seepage Alarms
Lake Perris Bypass Pipeline
Lake Perris Bypass Pipeline
Lake Perris Pumpback Expansion
Lake Perris Pumpback Facility
Lake Skinner
Lake Skinner - Install Aeration System
Lake Skinner - Propane Storage Tank
Lake View Pipeline - Install Cathodic Protection
Live Oak Reservoir - Foothill Feeder System
Live Oak Reservoir - Improvements
Lower Feeder - Relocation in Imperial Hwy
Lower Feeder - Replace/Protect Imperial Highway
Mathews & Diemer - Modify Chlorine Tanks
Microwave Communication System
Microwave Communication System - ROW

TABLE 3 (CONTINUED)**DISTRIBUTION SYSTEM IMPROVEMENT PROJECT BENEFITS**

Distribution System Improvement
Mills Filtration Plant - Service Connection
Minor Capital Improvements - Fiscal Year '75-'76
Minor Capital Improvements - Fiscal Year '76-'77
Minor Capital Projects - Fiscal Year '74-'75
Modifications of Lab and Storage Building
Modify Control System
Morris Dam - Enlarge Spillway Facility
Morris Dam - Seismic Stability Reanalysis
MWD Share Design & Construction LA-35
North Las Posas Basin Groundwater Storage Program
Oak St Pressure Control Station - Valve Replacement
OC Reservoir - Modify Electrical Control Center
Orange County Feeder Relocation
Orange County Feeder - Pressure Relief Structure
Orange County Feeder - Relocation at Kimber
Orange County Feeder - Service Connection PM-1
Orange County Reservoir - Floating Cover
Orange County Reservoir - Replace Chlorination Equipment
PABX Communication System
Palos Verdes Feeder - Modifications of L.A. City
Palos Verdes Feeder - Relocation (MWD's Portion)
Palos Verdes Feeder - Washington
Palos Verdes Reservoir - Bypass Pipelines
Pasadena Groundwater Storage Program
Pump Plants - Rehabilitate Main Pumps
Pump Plants - Rehabilitate Main Pumps
Pumping Plants - Replace Recorders
Replace 75 Underground Storage Tanks
Replace Flowmeters on Service Connections
Rialto Pipeline - Delivery Facilities
San Diego Aqueduct Rep San Jacinto
San Diego Canal Enlarge Phase 2
San Diego Pipe #5 - Schedule SD-17
San Diego Pipeline Nos. 2, 3 - Modifications
San Diego Pipeline No. 5 Schedule SD-16
San Diego Pipeline No. 6
Santa Ana River Crossing - Seismic
Santa Monica Feeder - Modify Control Structure
Santa Monica Feeder - Modify Service Connection
Santa Monica Feeder - Service Connection Betterment
Sepulveda Feeder System, West Valley Feeder No. 2
Sepulveda Feeder System - Calabasas Feeder
Sepulveda Feeder - Balboa Inlet
Sepulveda Feeder - Sepulveda Canyon Control
Skinner Filtration Plant - Area Maintenance Center
Soto Street Maintenance Center - Propane Storage
South (Orange) County Pipeline - Joint Participation & Purchase
Supervisory Control of Copper Basin Facility

TABLE 3 (CONTINUED)

DISTRIBUTION SYSTEM IMPROVEMENT PROJECT BENEFITS

Distribution System Improvement	
Upgrading Communication System	
West Orange County Feeder - Relocation	
West Valley Area Study	
West Valley Feeder No. 1 - Modification of Struct	
West Valley Feeder No. 1 - Modifications	
West Valley Feeder No. 2	
West Valley Feeder No. 2	
White Water Siphon Delivery Structure	
Yorba Linda Feeder	
Yorba Linda Feeder Schedule 150	
Yorba Linda Feeder - Tonner Tunnels	
Other System Reliability/Rehabilitation Projects	
Estimated Fiscal Year 1995-96 Benefit	\$46,000,000

TABLE 4

FISCAL YEAR 1995-96
READINESS-TO-SERVE CHARGE
ESTIMATED REVENUE

Member Agency	Amount
Anaheim	\$611,459
Beverly Hills	466,104
Burbank	713,778
Callegas Municipal Water District	3,173,921
Central Basin Municipal Water District	2,342,478
Chino Basin Municipal Water District	1,108,239
Coastal Municipal Water District	1,418,574
Compton	183,208
Eastern Municipal Water District	1,808,841
Foothill Municipal Water District	285,818
Fullerton	279,548
Glendale	964,402
Las Virgenes Municipal Water District	641,296
Long Beach	1,378,138
Los Angeles	8,307,100
Municipal Water District of Orange County	5,810,325
Pasadena	370,599
San Diego County Water Authority	14,866,336
San Fernando	7,686
San Marino	48,375
Santa Ana	442,732
Santa Monica	182,893
Three Valleys Municipal Water District	2,107,580
Torrance	740,410
Upper San Gabriel Valley Municipal Water District	325,348
West Basin Municipal Water District	5,443,889
Western Municipal Water District of Riverside County	1,970,922
Total	\$56,000,000

TABLE 5

FISCAL YEAR 1995-96
STANDBY CHARGE
ESTIMATED REVENUE

Member Agencies	Total Parcel Charge	Number Of Parcels Or Acres	Gross Revenues (Dollars)
Beverly Hills	15.00	9,070	136,050.00
Burbank	14.20	28,278	401,547.60
Central Basin MWD	10.44	339,166	3,540,893.04
Compton	8.92	18,057	161,068.44
Foothill MWD	10.28	30,305	311,535.40
Glendale	12.23	44,486	544,063.78
Las Virgenes MWD	8.03	66,403	533,216.09
Long Beach	12.16	88,653	1,078,020.48
Los Angeles	8.68	772,349	6,703,989.32
Pasadena	11.73	36,545	428,672.85
San Fernando	7.87	5,140	40,451.80
San Marino	8.24	4,972	40,969.28
Santa Monica	13.07	21,733	284,050.31
Three Valleys MWD	12.21	152,033	1,856,322.93
Torrance	12.23	37,756	461,755.88
Upper San Gabriel Valley MWD	9.27	208,529	1,933,063.83
West Basin MWD	15.00	251,353	3,770,295.00
Los Angeles County Total		2,114,828	22,225,966.03
Anaheim	8.55	66,268	566,591.40
Coastal MWD	11.60	86,459	1,002,924.40
Fullerton	10.71	32,937	352,755.27
MWD of Orange County	10.09	571,736	5,768,816.24
Santa Ana	7.88	53,414	420,902.32
Orange County Total		810,814	8,111,989.63
Eastern MWD	6.94	383,244	2,659,713.36
Western MWD of Riverside Co.	9.23	356,215	3,287,864.45
Riverside County Total		739,459	5,947,577.81
Chino Basin MWD	7.59	214,650	1,629,193.50
San Bernardino County Total		214,650	1,629,193.50
Calleguas MWD	9.58	271,456	2,600,548.48
Ventura County Total		271,456	2,600,548.48
San Diego CWA	11.51	1,074,163	12,363,616.13
San Diego County Total		1,074,163	12,363,616.13
TOTAL	10.11	5,225,370	52,878,891.58

Notes:

- a. The revenues are only an estimate. Actual revenue collected could be less than projected due to tax payment delinquencies.
- b. A record of the proposed 95/96 charge for every parcel in the Metropolitan service areas is available in the reference document "Metropolitan Water District Proposed Assessments Report - Tax Year 95/96."

EXHIBIT B-C

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION 8465

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
GIVING NOTICE OF INTENTION TO IMPOSE
NEW DEMAND CHARGE**

WHEREAS, at its meeting on December 14, 1993, the Board of Directors ("Board") of The Metropolitan Water District of Southern California ("Metropolitan") approved the rate structure and additional revenue sources described in the Board letter on the Financial Structure Study dated December 1, 1993, including a new demand charge, with implementation of these charges to begin in fiscal year 1995-96;

WHEREAS, providing firm revenue sources is a primary goal of such revenue structure;

WHEREAS, the amount of revenue to be raised by the new demand charge shall be as determined by the Board and allocation of such charge among member public agencies shall be in accordance with the method established by the Board;

WHEREAS, Metropolitan has legal authority to impose such new demand charge as a water rate pursuant to Section 134 of the Metropolitan Water District Act, as a capital facilities fee pursuant to Section 54999.2 of the California Government Code and as an availability of service charge pursuant to Section 134.5 of the Metropolitan Water District Act;

WHEREAS, under authority of Sections 133 and 134 of the Metropolitan Water District Act, the Board has the authority to fix the rate or rates for water as will result in revenue which, together with other revenues, will pay Metropolitan's operating expenses and provide for payment of other costs, including payment of the interest and principal of Metropolitan's bonded debt;

WHEREAS, pursuant to Resolution 8329, adopted by the Board on July 9, 1991, proceeds of the readiness-to-serve charge, new demand charge and other revenues from the sale or availability of water are pledged to the payment of Metropolitan's outstanding revenue bonds issued and to be issued pursuant to Resolution 8329;

WHEREAS, under authority of Government Code Section 54999.2 Metropolitan may impose a capital facilities fee to pay the capital cost of facilities for the provision of water service;

WHEREAS, the new demand charge is intended to recover the debt service of expenditures for projects needed to satisfy anticipated new demands on Metropolitan, as shown in the Nexus Study dated January, 1995, prepared by Metropolitan in support of the new demand charge; and

WHEREAS, under authority of Section 134.5 of the Metropolitan Water District Act, an availability of service charge may be collected from the member public agencies within Metropolitan.

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

Section 1. That the public interest and necessity require Metropolitan to develop firm net revenues, exclusive of ad valorem property taxes, through imposition of a new demand charge on all sales representing new demands on Metropolitan, as described below, to be collected from Metropolitan's member public agencies.

Section 2. That such new demand charge should be in an amount sufficient to provide for payment of the debt service, not paid from ad valorem property taxes, of capital expenditures for projects needed to serve anticipated increases in demands on Metropolitan.

Section 3. That such new demand charge for 1995-96 shall be a water rate of \$1,000 per acre foot for all new demands by a member agency on Metropolitan, determined as provided in Section 8 below.

Section 4. That in the alternative, and without duplication, the new demand charge shall be a capital facilities fee in the amount of \$1,000 per acre foot of new demand on Metropolitan, determined as provided in Section 8 below.

Section 5. That this Board finds that the proposed new demand charge is necessary for the purpose of financing construction costs of public utility facilities furnished by Metropolitan, and does not exceed the proportionate share of the cost of the public utility facilities of benefit to each person or property being charged, based upon the proportionate share of use of those facilities.

Section 6. That in the alternative, and without duplication, the new demand charge shall be an availability service charge pursuant to Section 134.5 of the Metropolitan Water District Act.

Section 7. That notice is hereby given to the public and to each member public agency of The Metropolitan Water District of Southern California of the intention of Metropolitan's Board to consider and take action at its regular meeting to be held March 13, 1995, on the General Manager's recommendation to impose a new demand charge of \$1,000 per acre foot of water on all sales representing new demands on Metropolitan in fiscal year 1995-96.

Section 8. That the new demand charge shall be imposed on a member public agency when the average of the member public agency's purchases (in acre feet) from Metropolitan in the ~~preceding three fiscal years and four most recent years~~, including the current fiscal year, after adjustment for long-term storage water, exceed such member agency's new demand charge base. Such new demand charge shall be payable in the fiscal year following the year in which it is imposed. Long-term seasonal storage deliveries during May through September 1993 and May and June 1994, and water taken under one-time drought storage agreements, Cooperative Storage Program through April 12, 1994, and the 1993 Demonstration Program are subtracted from the water sales calculation through the fiscal year period ending June 30, 1994. Long-term seasonal storage service water is defined as water that a member public agency leaves in storage past the end of the fiscal year through avoided production during a period of availability (normally October 1 through April 30). Long-term seasonal storage service, cyclic storage, Cooperative Storage Program, and contractual long-term storage water deliveries will be excluded from the new demand charge calculation during the year of delivery but will be included in the year of use. Member public agencies shall indicate the amount and year in which the long-term stored water is used. Long-term seasonal

storage service water must be accounted within seven years from the year in which the water was placed into storage. Member public agencies overlying a common groundwater basin shall be allowed to account for their purchases as a single, common purchaser.

Section 9. That each member public agency's new demand charge base (in acre feet) will be determined on the largest of three averages: 1) the average of its purchases from Metropolitan in the three fiscal years 1989-90 through 1991-92, excluding one-time drought storage sales; 2) the average of its purchases from Metropolitan in the four fiscal years 1989-90 through 1992-93, excluding one-time drought storage agreement sales and long-term seasonal storage deliveries attributable to May and June 1993; or 3) its readiness-to-serve charge allocation for fiscal year 1995-96. Each member public agency's new demand charge base is as follows:

Proposed New Demand Charge Base

<u>Member Agency</u>	<u>Base Amount (AF)</u>
Anaheim	24,943
Beverly Hills	13,614
Burbank	20,446
Calleguas MWD	99,025
Central Basin MWD	115,834
Chino Basin MWD	76,265
Coastal MWD	41,441
Compton	4,849
Eastern MWD	55,858
Foothill MWD	9,610
Fullerton	12,261
Glendale	25,683
Las Virgenes MWD	18,525
Long Beach	42,539
Los Angeles	358,504
MWD of Orange Co.	243,828
Pasadena	22,638
San Diego CWA	552,047
San Fernando	903
San Marino	1,287
Santa Ana	15,840
Santa Monica	8,889
Three Valleys MWD	69,664
Torrance	20,139
Upper San Gabriel MWD	71,889
West Basin MWD	167,187
Western MWD of Riverside Co.	77,260
TOTAL	2,170,978
	<u>2,180,451</u>

Section 10. That this Board finds and determines that such new demand charge base is a reasonable approximation of each member agency's current demands on Metropolitan's system.

Section 11. That upon payment of any new demand charge by a member agency, that member agency's new demand charge base shall be increased by an amount equal to the quantity of water on which the new demand charge was paid.

Section 12. That the new demand charge shall be incurred upon due and payable within sixty days following Metropolitan's determination that a member agency's historic average deliveries of Metropolitan water in the immediately preceding four fiscal years four year period have exceeded such member agency's new demand charge base. Any new demand charge so incurred shall be due and payable sixty days after mailing of Metropolitan's invoice for such charge.

Section 13. That such new demand charge may be paid, without penalty, in equal monthly installments over a period of up to fifteen (15) years, provided that amounts subject to deferred payment shall bear interest at a rate determined by Metropolitan (which shall be equal to Metropolitan's cost of funds at the time of such determination), from the date due until payment is received by Metropolitan.

Section 14. That the new demand charge and the new demand charge base for each member public agency, the method of its calculation, and the project costs, cost allocations and other data used in its determination are as specified in the Nexus Study attached as ~~Exhibit A to this Resolution~~. The ~~Nexus Study~~ is on file and available for review by interested parties at Metropolitan's headquarters.

Section 15. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

Section 16. That this Board finds that the proposed new demand charge is exempt from the provisions of the California Environmental Quality Act (CEQA) since it constitutes the creation of government funding mechanisms which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects which have CEQA documentation or which will have CEQA documentation in place prior to construction of any facility or facilities.

Section 17. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by publication.

Section 18. That the Executive Secretary is hereby directed to transmit a certified copy of this Resolution to the presiding officer of the governing body of each member public agency.

I HEREBY CERTIFY, that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on January 10, 1995.

Executive Secretary
The Metropolitan Water District
of Southern California

res\ndc-int.chr
12-28-94

SDCWA STATEMENT ON 1995-96 MWD RATES

The SDCWA requests that this statement be included in the Minutes to be recorded, along with its vote.

The SDCWA approves the water rates for 1995-96 only and accepts the commitment of the Chairman, General Manager and staff to continue working in good faith during the next year to address our concerns, including SDCWA Resolution 94-37, the recommended actions in the December 20, 1994 rate letter and a review of the revenue structure in light of the results from the completion of the December 13, 1993 conditions. The SDCWA supports MWD's CIP and its needs for reliable revenues, provided the Authority's need for supply assurances equal to its financial contributions can be met. The SDCWA's position on subsequent years' rates and revenue structure is hereby reserved pending a resolution of these matters.

FURTHER SDCWA STATEMENT OF 1995-96 MWD RATES

Our vote is made today with the further understanding that the Board Committee directed to be formed by the vote of this Board last month and referred to at paragraph 5 at page 11 of Board letter 8-1 will be constituted and its membership announced by the Chairman no later than March 1995. Given the delay in forming the Board Committee, we urge the staff to be mindful of any and all policy implications which may be inherent in their work in "assembling information" and preparing the "necessary analysis" to assist the committee which is ultimately appointed by the Chairman of the Board.

Northern Group**Summary of Areas of Agreement****Regarding Metropolitan's Rate Structure****January 6, 1995**

1. Supports the recommendation offering member agencies the option to request that the existing water standby charge be used to meet their readiness-to-serve (RTS) charge obligations under the new water rate structure.
2. Recommends that the Board consider future increases in the water standby charge be limited to coincide with future increases in a member agency's RTS obligation at the member agency's request.
3. Recommends that the rate of increase in the commodity charge should be held as low as reasonable and defensible.
4. Supports setting the new demand charge (NDC) at its full level in 1995-96.
5. Supports including treatment costs necessary to meet increases in demands for treated water through a separate "treated water" new demand charge.
6. Recommends that staff evaluate approaches to accomplishing IRP goals that address limitations on Investor-Owned Utilities, including possible legislative changes.