

**CITY OF****SAN FERNANDO**

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February 13, 1995

Mr. F. Wiley Horn  
Deputy General Manager  
METROPOLITAN WATER DISTRICT  
P.O. Box 54153, Terminal Annex  
Los Angeles, California 90054

Subject: New Demand Charge, Appeals/Exemption Policy

The City of San Fernando respectfully requests your consideration that an Appeals/Exemption policy or procedure be incorporated into the New Demand Charge (NDC) rate structure. This request is based on the potential burden the NDC will place on agencies that do not normally rely on MWD for primary water supply. When local source water is unexpectedly and temporarily lost, these agencies will experience a substantial financial increase in water charges from MWD without the ability to pass these additional costs on as new development fees.

As you are aware, the City of San Fernando is one of the many, smaller agency/sub-agencies that is fortunate to have local source water and depend on MWD only for supplemental supplies. In San Fernando's case the demand on MWD has averaged less than 25 percent of our total system supply for the past few years except for 1993/94. During this period we experienced a system loss due to required repairs of our primary supply well and pump. This loss of local supply required an increased purchase of supply from MWD. Based on the NDC Nexus Study our rolling four-year average will increase 50 AF over the NDC base amount of 903 AF resulting in an additional cost to San Fernando of \$50,000.

It is clearly the intent of the NDC Nexus Study to provide a means for water users responsible for increases in water demand on MWD, to pay the costs of Metropolitan's facilities, and provide a method for agencies to pass that cost onto new development. When the increase in demand occurs due to new development, the agencies may impose fees to recover this cost. However, in the case of system failure and loss of local source supply the cost of increased demand on MWD, per the NDC, will not be paid by new fees, but by existing users. I believe that this is not the intent of the NDC or MWD and consideration should be given to exempt these increases in demand from the NDC increase in fees.

The January 17, 1994 Northridge Earthquake has once again reminded San Fernando of its need for an alternate source of water supply. In the 1971 San Fernando Earthquake, San Fernando lost over

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75 percent of its water system including storage reservoirs and wells. The repairs included redrilling of all four water supply wells before we could place the system back into 100 percent operation. During this period the citizens voted to annex to MWD in order to secure an alternate source of water and prevent future shortage due to the potential loss of our local ground water supply. During the Northridge Earthquake we were fortunate that our water system received only moderate damage and none of the wells were out of service for more than one day. This emergency did, however, refresh our memories of the potential problems we will face when we experience the loss of our ground water and the additional substantial financial burden the NDC will place on the citizens of San Fernando. For example: if another earthquake was to cause a total loss of ground water supply (as in 1971) we would replace that loss with additional supply from MWD. This additional supply would cause us to exceed our base amount allocated under the NDC increasing the cost to San Fernando water customers by \$2.1 million. Again, in this example, the loss of local source supply will not be paid by new development fees, but by existing users. I believe that this is not the intent of the NDC or MWD and consideration should be given to include a policy or procedure allowing exemptions or the ability to appeal increase charges that are not development-related, to a hearing officer or the MWD board.

I look forward to working with you on this additional policy. Thank you for your consideration of this request. If I can be of further assistance please call me at 818-898-1226.

Sincerely,

  
MICHAEL S. DRAKE,  
Public Works Director

cc: Doude Wysbeek, MWD Boardmember  
City Administrator  
Operations Manager  
Assistant City Engineer

LTR-1075.PW