

February 14, 1995



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Metropolitan Water District of Southern California
Board of Directors
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Directors:

Dominguez Water Corporation (DWC) is an investor-owned utility serving 33,000 industrial and residential customers in the West Basin Municipal Water District service area. Having served communities in Carson, Torrance, Long Beach, Harbor City, and Compton since 1911, DWC understands the costs associated with procuring and delivering high quality water. Hence, DWC can support, in principle, MWD's efforts to establish rates and charges which generate higher fixed revenues.

However, DWC would like to voice opposition to four aspects of MWD's proposed rate increases:

1. Size of the increase to Dominguez -15% to 16%
2. Misleading news reports initiated by MWD regarding the size of the increase
3. Unfair allocation of RTS charges
4. Confusion caused by allowing some to keep the tax and others to pay through water bill

First, DWC feels the increase is too large. We support the Domenigoni project because additional storage is needed in southern California. However, we are not convinced that staff has adjusted to the fact that annual sales of 1.9 million acre feet are the norm instead of the 2.6 million of 5 years ago. Directors from our area have not received satisfactory answers as to why some of the large construction projects can't be deferred in light of the lower demands. Furthermore, customers of the West Basin Municipal Water District are paying additional increases to support a large reclamation project that will serve to limit MWD sales in the future.


Second, MWD news releases state that the increase will be 3-5%. However, the increased cost of water to DWC is nearly 16% and the increase to our customer will be about 9%. DWC understands that customers might receive some decrease on their tax bill. But the attached news article fails to adequately explain this. Incomplete and inaccurate reports to the public will foster hostility against DWC when the true increase is passed on to customers.

Third, DWC firmly believes that MWD unfairly penalizes those who participated in MWD's In-Lieu Seasonal Storage Program (ILSSP) by basing readiness-to-serve charges upon total water purchased during 1992-3 and 1993-4. DWC participated fully in the ILSSP in 1992-3 and 1993-4. In fact, over 40% of DWC's purchases were made as a result of the ILSSP, although company wells are capable of pumping over 50% of DWC's annual demands. In addition, Dominguez has increased its construction spending to add pumping capacity in order to fully utilize the seasonal offerings. The use of a four-year moving average of total purchases to determine future readiness-to-serve charges will mean that DWC and other participants in the ILSSP will pay readiness-to-serve charges at least through 1998-99 based on in-lieu purchases. DWC feels this allocation is unfair because MWD staff indicated less than a year ago that ILSSP purchases would be exempt from readiness-to-serve charge calculations. So DWC took part in the program without knowing that it would eventually be made to pay for this participation.

Fourth, DWC objects to the fact that member agencies are being given the option to collect the readiness-to-serve charge through property taxes or water bills. This is unfair to investor-owned utilities which do not have this option. In order to allow the public to make an accurate comparison of water rates, all member agencies should be required to collect the charge through water billings. Conservationists support this point-of-view; they also assert that water charges should be levied on the water bill.

In light of these objections, DWC recommends further review of the proposed rate increase. By deferring some capital expenditures, MWD could lower the increase. DWC also asks for more accurate reporting of the increase; a more fair allocation of RTS charges; and requirement that the RTS be collected on water bills.

Sincerely,



C.W. Porter
President

DOMINGUEZ WATER CORPORATION

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MWD proposes increase in drinking-water rates

From news service reports

The Metropolitan Water District's board of directors recommended a proposal Tuesday to increase drinking water rates by 3.4 percent, in an effort to bolster its capital improvements program and bond ratings.

The rate increase for treated drinking water will be discussed at a public hearing on Feb. 14, and, if approved, it would go into effect on July 1, said MWD General Manager John Wodraska.

"This new financial structure provides Metropolitan with the revenues it needs to build facilities to help ensure a reliable water supply for coastal Southern California," he said.

Overall, the proposed water rates and new charges to MWD's 27 member agencies could amount a 5.1 percent increase in wholesale-level costs, depending on usage and the amount of water each entity

buys, Wodraska said.

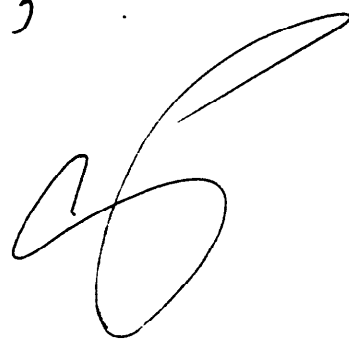
A major part of the revenue structure is a "readiness-to-serve" charge, which will be split among the members based on their average water purchases over a rolling period of time, he said.

Revenues from the charge will cover the district's bond payments for water quality and dependability projects not paid by property taxes.

Several member agencies have indicated that they will retain the MWD "standby" charge on properties within their service areas, rather than reflect the readiness-to-serve charge in their consumers' bills, he said.

Those agencies have until March 1 to decide which route to choose, Wodraska said. A public hearing on the standby charge will be held April 11, with board action expected May 19.

What is this
for Dominguez?



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

8-3

April 20, 1994

(Finance and Insurance Committee--Action)
Board of Directors (Water Problems Committee--Action)

General Manager

Administration of the Readiness-to-Serve Charge and the
New Demand Charge

Report

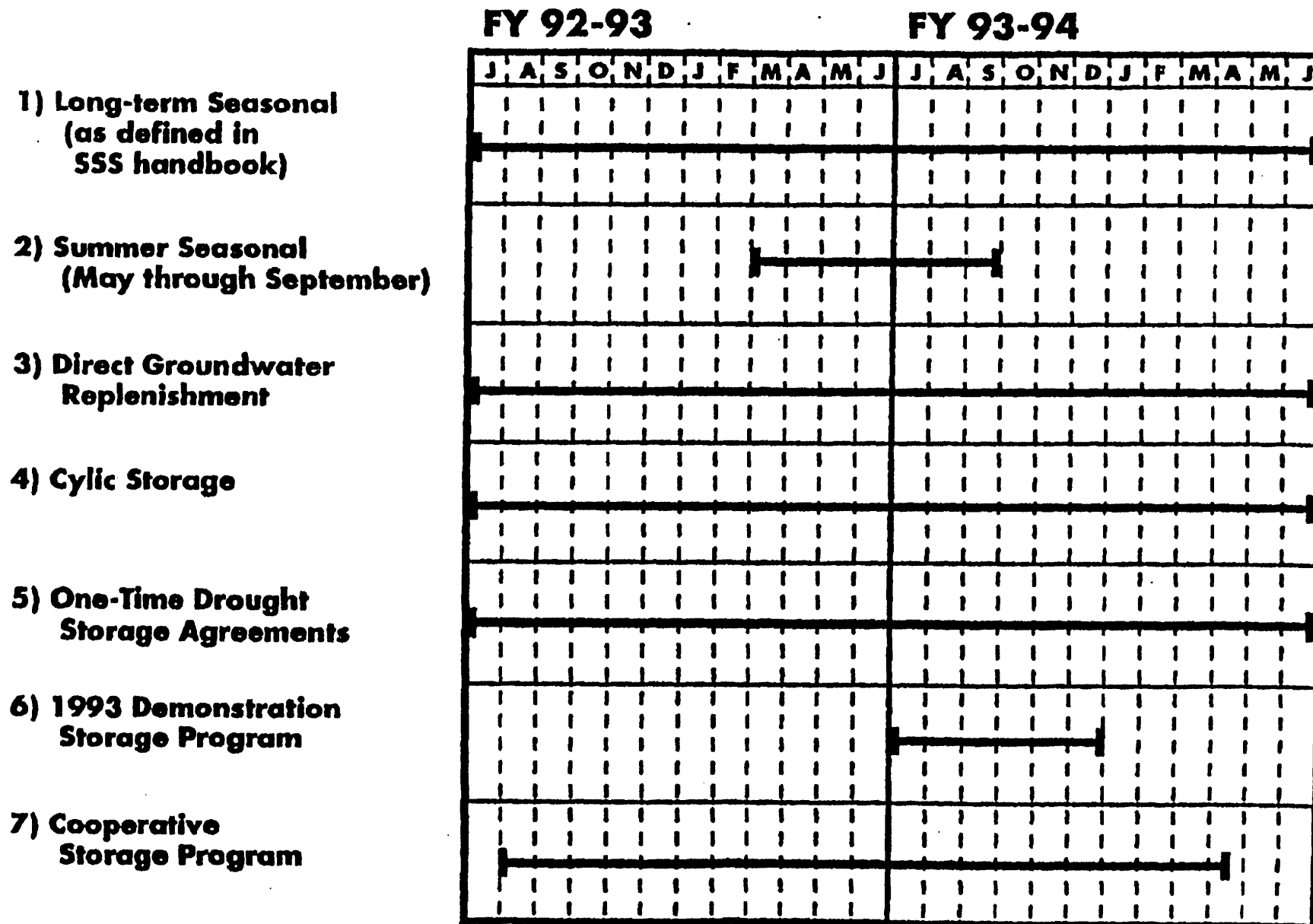
Two administrative details on the Readiness-to-Serve (RTS) Charge and the New Demand Charge are brought to your attention. First, at the April meeting your Board affirmed that long-term storage water would be included in the Readiness-to-Serve Charge upon its use beginning in fiscal year 1994-95. A method of accounting for such water use is proposed in this letter. Second, the base for the New Demand Charge has been refined to more closely reflect normal demands on Metropolitan.

Issue

Under the recently adopted rate structure, long-term storage water is exempt from the RTS and New Demand Charges at the time of delivery. Long-term storage water includes direct groundwater replenishment, water taken under the Cooperative Storage Program, the 1993 Demonstration Storage Program, cyclic storage, and the May through September 1993 seasonal storage program; and seasonal storage water defined as long-term in the 1988-89 Seasonal Storage Service Handbook. In the Handbook, long-term seasonal storage water is that water an agency leaves in storage past the end of the fiscal year (June 30) through avoided production during a period of availability (normally October 1 through April 30). When this long-term storage water is ultimately used it is under the control of the member agency and is exceedingly difficult for Metropolitan to track. However, all water that is sold should support Metropolitan's Capital Improvement Program (CIP) through the RTS Charge and the New Demand Charge, if applicable.

Figure 1

Water Exempt from Readiness-to-Serve Charge



JAN 23 1995 4:55PM
 THE UNIVERSITY OF CHICAGO
 DIVISION OF SYSTEMS
 500 003

TABLE 3

APPLICATION OF READINESS-TO-SERVE CHARGE TO TYPES OF WATER SALES

| TYPE OF WATER | INCLUDED IN FY 92-93 & FY 93-94 SALES | INCLUDED BEGINNING FY 94-95 SALES | EXPLANATION |
|--------------------------------------|---------------------------------------|-----------------------------------|---|
| NONINTERRUPTIBLE | YES | YES | |
| AGRICULTURAL | YES | YES | |
| SHIFT SEASONAL STORAGE SERVICE (SSS) | YES | YES | |
| SEAWATER BARRIER | YES | YES | |
| COOPERATIVE STORAGE | | | |
| - THRU 4/12/94 DELIVERIES | NO | N/A | |
| - POST 4/12/94 DELIVERIES | YES | YES | EXEMPT YR OF DEL; CHARGED YR OF SALE |
| ONE-TIME DROUGHT STORAGE | NO | N/A | AGREEMENTS SCHEDULED FOR CLOSURE |
| 1993 DEMONSTRATION STORAGE | NO | N/A | 1993 DELIVERIES ONLY |
| CYCLIC DELIVERIES | NO | YES | EXEMPT YR OF DEL; CHARGED YR OF SALE |
| 1993 SUMMER SEASONAL (MAY THRU SEPT) | NO | N/A | 1993 DELIVERIES ONLY |
| FY 88-89 HANDBOOK LONG-TERM SSS | NO | YES | EXEMPT YR OF DEL; CHARGED OVER 5 SUBSEQUENT YRS IN 5 EQUAL INCREMENTS |
| DIRECT GROUNDWATER REPLENISHMENT | NO | YES | EXEMPT YR OF DEL; CHARGED OVER 5 SUBSEQUENT YRS IN 5 EQUAL INCREMENTS |

* N/A = NOT APPLICABLE