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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Thomas E. Dault
EXECUTIVE SECRETARY

December 26, 1995

To: Board of Directors (Finance and Insurance Committee--Information)

From: *W. J. ...*
General Manager

Submitted by: Debra C. Man, Chief
Planning and Resources

Debra C. Man

Subject: Connection Maintenance Charge Revenues for Fiscal Year 1995-96

RECOMMENDATION(S)

This letter is for information as requested by the Finance and Insurance Committee.

EXECUTIVE SUMMARY

The Connection Maintenance Charge (CMC) was estimated to generate about \$6.0 million in annual revenues in the 1995-96 General Manager's letter dated December 20, 1994, recommending water rates for the 1995-96 fiscal year. The CMC is equal to \$50 per cfs per month per connection, with a maximum charge of \$5,000 per month per connection.

Several member agencies and subagencies were concerned that emergency connections and connections put in place for periodic deliveries would be unfairly burdened. To address to these concerns, Metropolitan adopted a definition of "connected capacity" which takes historic peak flows through each connection into account. As implemented, the CMC will result in about \$3.0 million in revenues during fiscal year 1995-96.

Attachment A shows the actual connection capacity by agency, the calculated capacity for purposes of assessing the CMC and the revenues generated through the CMC.

DETAILED REPORT

At the time of preparation for the 1995-96 Recommended Water Rates letter, the Connection Maintenance Charge (CMC) was estimated to generate about \$6.0 million in annual revenues.

Several member agencies and subagencies were concerned that the CMC would be overly restrictive and unfairly burden certain connections. These connections included those which had been installed and used when the District was first formed and were no longer in use, except for emergencies. In other cases, although the connection was sized to deliver a large quantity of water, the member agency's system was physically incapable of taking that much water. To reduce regional costs, it was desirable to leave these connections in place to provide delivery flexibility in times of emergency and outages.

In response to these concerns, Metropolitan has utilized a definition of "connected capacity" for purposes of calculating the CMC that accounts for historic peak flows through each connection. This definition was formally adopted by your Board as part of the Administrative Code provisions for implementing the readiness-to-serve charge, new demand charge, and CMC on June 13, 1995. As currently implemented, the CMC is dependent on connected capacity, which is defined in the Code as the peak of weekly average flows through each connection, measured in cfs, for any week during the five-year period immediately preceding the beginning of the fiscal year, but not less than 10 percent of the rated capacity of the connection and not more than the rated capacity of the meter. Peak week average flow refers to the meter reading period with the highest average flow. Flows are rounded up to the nearest 0.5 cfs. This methodology for computing the CMC will result in about \$3.0 million in revenues during fiscal year 1995-96. This also results in a minimum charge per connection of \$25 per month whether any water is delivered.

As long as a connection is maintained, the CMC is billed whether water is delivered through the connection on a monthly basis or not. Connections subject to the CMC include connections classified as Active, Active Standby, Active Emergency, and Active Emergency Standby.

The CMC does not apply to dismantled connections (for which Metropolitan has received some requests since implementation of the CMC), connections for which member agencies or subagencies have special contractual agreements with Metropolitan setting forth the terms for payment of maintenance, or connections that provide a benefit primarily to Metropolitan (in terms of distribution system operating flexibility). Attachment A shows the number of connections, actual capacity, CMC Calculation Capacity, and total charges by member agency.

JMS:drs

Attachment

Attachment A

Member Agency	# of Connections	Maximum Capacity (cfs)	CMC Calc. Capacity (cfs)	Annual Charge
City of Anaheim	7	134.5	107.5	64,500
City of Beverly Hills	2	80.0	45.0	27,000
City of Burbank	5	115.0	54.0	32,400
Calleguas MWD	2	390.0	161.5	96,900
Central Basin MWD	49	1,422.0	521.5	312,900
Chino Basin MWD	8	435.0	204.5	122,700
Coastal MWD	7	139.5	75.5	45,300
City of Compton	3	37.5	18.0	10,800
Eastern MWD	6	465.0	189.5	113,700
Foothill MWD	1	40.0	27.0	16,200
City of Fullerton	8	108.5	65.0	39,000
City of Glendale	3	72.5	59.0	35,400
Las Virgenes MWD	3	103.5	47.0	28,200
City of Long Beach	7	288.5	151.0	90,600
City of Los Angeles	22	2,387.5	479.5	287,700
MWD of Orange County	59	2,304.0	885.0	531,000
City of Pasadena	5	143.0	94.5	56,700
San Diego CWA	9	1,800.0	544.5	326,700
City of San Fernando	1	10.0	5.5	3,300
City of San Marino	1	10.0	6.0	3,600
City of Santa Ana	5	65.0	36.5	21,900
City of Santa Monica	2	55.0	27.5	16,500
Three Valleys MWD	18	517.5	243.0	145,800
City of Torrance	5	97.5	43.5	26,100
Upper San Gabriel Valley MWD	10	582.5	145.0	87,000
West Basin MWD	40	881.5	429.0	257,400
Western MWD of Riverside Co.	21	771.0	272.0	163,200
TOTAL	309	13,456.0	4,937.5	2,962,500

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