

● **Board of Directors**
Budget and Finance Committee

January 9, 2001 Board Meeting

9-2

Subject

Recommended water rates for Fiscal Year 2001-02 and resolution giving notice of intention to impose charges

Description

This letter requests that the Board set a time for a hearing of the Budget and Finance Committee at which interested parties may present their views regarding the General Manager’s recommendations for rates and charges.

In addition, this letter recommends approval of Resolutions of Intention to: 1) impose the Readiness-to-Serve charge (including the water standby charge) and 2) impose a New Demand Charge and suspend collection of the charge for Fiscal Year 2001-02.

Finally, the letter recommends that the Board find that the setting of rates and charges recommended in this letter is exempt from the California Environmental Quality Act.

Metropolitan Water District Administrative Code Section 4304(c) requires the General Manager to present recommendations for water rates and charges for the next fiscal year based on the Budget and Finance Committee’s determination of required water revenues, and to set a time for a hearing of the Budget and Finance Committee at which interested parties may present their views of the recommendations. In December 2000, the Budget and Finance Committee approved the General Manager’s determination of the revenues to be derived from water sales during Fiscal Year 2001-02 in Board Letter 9b, entitled “Determination of water revenue requirements for Fiscal Year 2001-02.” The General Manager’s recommendations for water rates and charges for the coming fiscal year are as follows:

Effective January 1, 2002

| <u>Class of Service</u> | <u>Rate or Charge</u> |
|---------------------------------------|--|
| Full Service—Untreated | \$349 per AF |
| Full Service—Treated | \$431 per AF |
| Agricultural—Untreated | \$236 per AF |
| Agricultural—Treated | \$294 per AF |
| Seasonal Storage, Long-Term—Untreated | \$233 per AF |
| Seasonal Storage, Long-Term—Treated | \$290 per AF |
| Seasonal Storage, Shift—Untreated | \$288 per AF |
| Seasonal Storage, Shift—Treated | \$345 per AF |
| Reclaimed | \$113 per AF |
| Connection Maintenance Charge | \$50 per cubic feet per second of capacity per month, not to exceed a maximum charge per connection of \$5,000 per month |

Metropolitan develops its revenue requirement in December and sets its rates for the following fiscal year in March. This is done to provide sufficient time for the member agencies and their customers to incorporate any rate changes in their fiscal year budgets.

The recommended rates and charges maintain the current level of the Readiness-to-Serve (RTS) charge of \$80 million per year. Furthermore, it is recommended that all other rates and charges, with the exception of the Seasonal Storage Shift rates, remain unchanged. Consistent with the Board's five-year plan to transition the Seasonal Storage Shift discount to a level that reflects the estimated benefits provided by the program, it is proposed that the Seasonal Storage Shift rate be raised by \$11 per acre-foot on January 1, 2002. As more fully described in the Detailed Report (**Attachment 1**), it is recommended that rates and charges (with the exception of the Seasonal Storage Shift rate) be maintained at current levels to provide continued stability for water rate payers and to protect against revenue shortfalls and potential future rate increases as a result of lower than forecast sales or higher than predicted costs. Due to recent uncertainty in the wholesale electric market and unprecedented high wholesale power rates, it is recommended that water rates remain at current levels providing a cushion against power cost increases. Combined with the proposal to credit member agencies with their proportionate share of any revenues above the maximum reserve level that may occur as a result of high sales, stable rates help ensure that water rate payers are not harmed by uncertain cost increases, while benefiting from high water sales.

It is currently estimated that high system sales would result in revenues that exceed the stated revenue requirement. Administrative Code Section 5202 (e) provides specifically for the Board's consideration of the use of funds in excess of the established maximum reserve level. The Rate Structure Action Plan, approved by the Board in December, includes a staff recommendation that any funds in excess of the maximum reserve level at the close of Fiscal Year 2000-01 and Fiscal Year 2001-02 be deposited into transition fund accounts for the benefit of each member agency. These funds could be used by the member agency to transition to the new rate structure, fund capital projects or as credits on the water bill. The allocation of funds for each member agency would be based on the member agency's relative share of basic water sales, less any treatment surcharge revenues, during the relevant fiscal year. The transition funds would serve as an interim means of returning any excess revenues to the member agencies until such time as the proposed rate structure is implemented.

Policy

Metropolitan Water District Administrative Code Section 4304(c) (f)

Staff Recommendation

1. Set a time for a hearing of the Budget and Finance Committee at which interested parties may present their views regarding the General Manager's recommendation. The water rates and charges for the first six months of Fiscal Year 2001-02 will remain unchanged. It is recommended that the rates and charges effective January 1, 2002, be set by the Board as defined above.
2. Find that the setting of rates and charges recommended in this letter is exempt from the California Environmental Quality Act (CEQA) 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, it is exempt from CEQA under State CEQA Guidelines 15378 (b)(5) since it constitutes the creation of government funding mechanisms which does 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.
3. Approve the following resolutions:
 - a) Resolution of intention to impose the Readiness-to-Serve charge in the form shown as **Attachment 2** to this letter, declaring the Board's intention (i) at its March 13, 2001, meeting to consider and act upon the General Manager's recommendation to impose a Readiness-to-Serve charge at the current

level and (ii) at its May 15, 2001 meeting to consider and act upon the General Manager's recommendation to impose standby charges within the territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS charge.

- b) Resolution of intention to impose a New Demand Charge (NDC) at the current level and suspend collection of the NDC for Fiscal Year 2001-02, in the form shown as **Attachment 3** to this letter.
Estimated Fiscal Impact: \$0.5 million



Brian G. Thomas,
Chief Financial Officer

12/18/2000

Date



Ronald R. Jester
General Manager

12/19/2000

Date

Attachment 1 – Detailed Report

Attachment 2 – Resolution (Readiness-to-Serve charge)

Attachment 3 – Resolution (new demand charge)

BLA#633

DETAILED REPORT

Rate Setting Process

Metropolitan Water District Administrative Code Section 4304(c) requires the General Manager to present recommendations for water rates for the next fiscal year based on the Budget and Finance Committee's determination of required water revenues. In December 2000, the Budget and Finance Committee considered and approved the General Manager's determination of the revenues to be derived from water sales during Fiscal Year (FY) 2000-01 in Board Letter 9b, entitled "Determination of water revenue requirements for FY 2001-02" (Revenue Requirements Letter).

In January 2001, the Budget and Finance Committee is scheduled to consider the General Manager's recommendations for water rates and charges for FY 2001-02. Also in January, the Resolutions of Intent to impose the RTS (including the water standby charge) and the NDC (and suspend collection of the NDC) in FY 2001-02 are scheduled to be considered, and a public hearing on water rates and charges will be set.

In February, the Budget and Finance Committee is scheduled to conduct a public hearing on the proposed water rates and charges. In March, the Board is scheduled to consider the adoption of the water rates and charges, other than the water standby charge. A public hearing on the standby charge is scheduled for April, and the Board will consider the Resolution to impose the FY 2001-02 standby charge in May 2001.

The Revenue Requirements Letter shows that \$683.3 million of revenue must be recovered from the sale of water. The rates and charges that must be levied during the next fiscal year to generate this required revenue are described below.

Rates

Seasonal Storage Shift Rate

The Seasonal Storage Shift rate is proposed to increase \$11 per acre-foot to \$288 per acre-foot for untreated water and \$345 per acre-foot for treated water. The RRP Phase 1 recommended that the Seasonal Storage Shift rate be more closely aligned with the benefits of shifting purchases from summer to winter. This recommendation was approved by the Board in July 1996, and is reflected in the proposed rate change.

Wheeling Rates

It is recommended that Metropolitan consider requests for wheeling service on a case by case basis. Accordingly, no wheeling rate is recommended at this time.

Other Rates

It is recommended that the full service rate, agricultural rate, long-term seasonal storage rate, reclaimed water rate and treatment surcharge remain unchanged in FY 2001-02.

Charges

Readiness-to-Serve Charge (RTS)

The RTS charge recovers a portion of the principal and interest payments on non-tax supported debt service that has been or will be issued to fund capital improvements (e.g. Diamond Valley Lake) necessary to meet the continuing reliability and water quality needs associated with current demands. Recognizing the need to increase fixed revenue and reduce the dependency on water sales revenues, the RRP Phase 1 recommendations, approved by the Board in July 1996, included a five-year schedule of stepped increases of \$8 million per year in the RTS charge to develop fixed revenues of \$104 million by FY 2000-01. In Fiscal Years 1998-99 and 1999-00, the Board deferred the scheduled increases in the RTS charge. The General Manager's recommended rates and charges maintain the RTS at its current level of \$80 million per year, pending the outcome of the Board's ongoing consideration of the entire rate structure as part of the strategic planning effort. Preliminary RTS charges for each member agency for FY 2001-02 are detailed in Attachment C.

The RTS charge is allocated to each member agency on the basis of average historic water purchases from Metropolitan, including sales for consumptive demands, agriculture, and storage. For Fiscal Years 1997-98 through 2000-01, an agency's share of the RTS was based on the average of Metropolitan sales for the three consecutive fiscal years ending in 1995-96, less certain long-term storage water as more particularly described in Exhibit A, Section 8. It is recommended that pending the outcome of the Board's consideration of the proposed rate structure that the current formula remains in place for FY 2001-02.

The proposed form of resolution of the Board declaring its intention to impose the RTS charge at the current level of \$80.0 million, and notifying the member agencies of this intention is attached as Exhibit A. An Engineer's Report explaining the basis for the charge and the allocation of the charge among member agencies is attached to this resolution.

Standby Charge

During the process to establish the rates and charges for FY 1995-96, member agencies were provided the option to request that Metropolitan impose a standby charge on parcels of land in the agency's service area. Standby charge collections from member agencies that opted to retain the standby charge will be credited against the member agency's RTS charge obligation. Any standby charge revenues in excess of the member agency's RTS charge obligation will be credited to the agency's other obligations to Metropolitan or carried forward to the following fiscal year. **Any member agency for whom Metropolitan currently imposes a standby charge and who no longer wishes to have the charge imposed must notify Metropolitan by letter, which must be delivered to the Chief Financial Officer no later than March 1, 2001.**

The Budget and Finance Committee is scheduled to hold a public hearing in February 2001, on Metropolitan's intention to impose the RTS charge. This hearing will include the water rates and other charges to be levied for FY 2001-02. Additionally, Metropolitan will provide the necessary notice or notices to the public in the areas where standby charges have been requested and the Board will hold a public hearing in April 2001, for interested parties to present comments or protest the proposed water standby charge. It is anticipated that the Board will take action on the proposed standby charges at its meeting May 2001.

The resolution of intention to impose the RTS charge (and, within specified 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 that 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.

Other Charges

It is also recommended that the connection maintenance charge remain unchanged at \$50 per cubic foot per second.

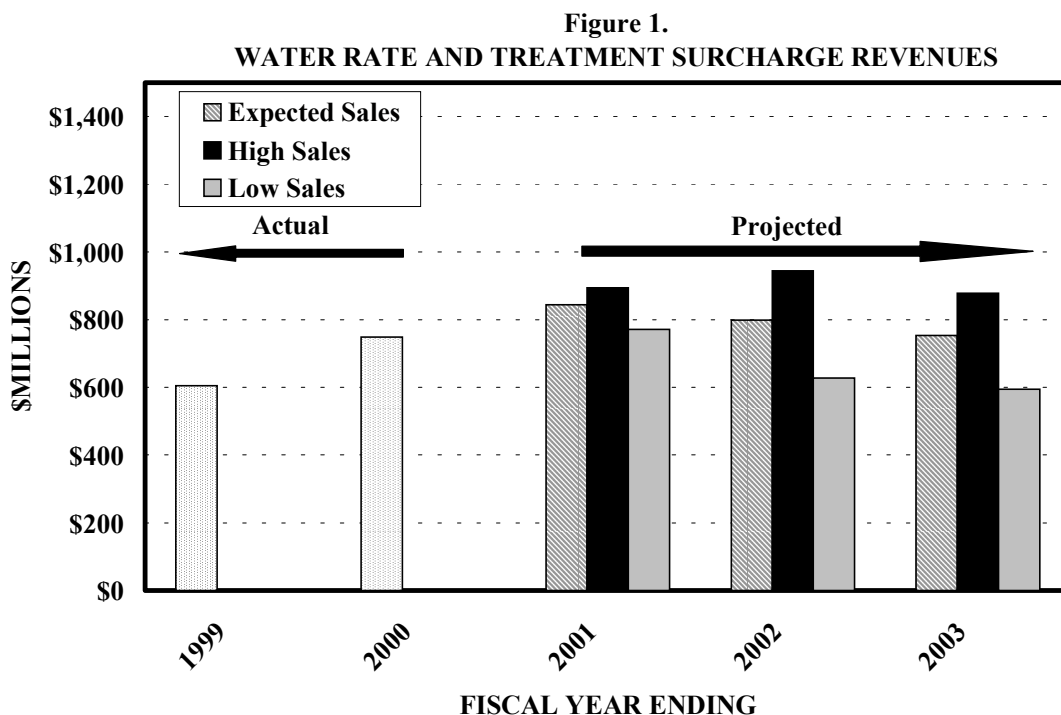
Metropolitan's estimated costs, revenues and water sales are shown in Attachment A. In addition, rates and charges are included in Attachment B. The increase in projected water rates is less than those included in the RRP Phase 1 recommendations, as no rates, except the Seasonal Storage Shift water rates, are forecast to increase through FY 2001-02.

Sensitivity Analysis

It is recommended that rates and charges (with the exception of the Seasonal Storage Shift rate) be maintained at current levels to provide continued stability for water rate payers and to protect against revenue shortfalls and potential future rate increases as a result of lower than forecast sales or higher than predicted costs. Combined with the proposal to credit member agencies with their proportionate share of any revenues above the maximum reserve level that may occur as a result of high sales, stable rates help ensure that water rate payers are not harmed by uncertain cost increases, while not paying more than the cost of providing service.

Water Sales

Based on input received from the member agencies and an assumption of "normal" weather it is expected that water sales for FY2001-2002 will be about 2.1 million acre-feet. However, if the weather is hot and dry in the coming year demands on the imported water system could increase to over 2.5 million acre-feet. Under hot and dry conditions, the higher system demands will increase revenues above budgeted amounts by about \$150 million, increasing the balance in the proposed member agency transition accounts. It is also possible for extremely wet and cool weather to decrease demands on the system to about 1.6 million acre-feet. Lower system demands resulting from extremely wet and cool weather could decrease FY 2001-2002 revenues below expected levels by as much as \$180 million resulting in a reduction in the water rate stabilization funds of \$53 million. Figure 1 illustrates examples of water rate and treatment surcharge revenues through FY 2002-2003 under expected sales levels, high sales levels (hot/dry conditions) and low sales (wet/cool conditions).



Power Costs

Metropolitan’s State Water Project (SWP) and Colorado River Aqueduct (CRA) power costs can both increase and decrease substantially in a given year due to power market conditions and hydrology. During the past year, the Department of Water Resources (DWR) was able to take advantage of peak and off peak pricing differentials and ancillary services provided by DWR to mitigate power cost increases and actually be a net seller to the power market. As a result, SWP power costs were relatively stable. But, if storage on the SWP is low due to dry conditions, power costs can be significantly higher than expected due to the loss of the less expensive hydro-power generation produced by the project. Further, this year’s CRA power costs are expected to be at least twice what Metropolitan paid last year. CRA power costs for the FY 2001-2002 revenue requirement are estimated to be \$50 million but could reach \$80 million if existing recent power market trends continue.

CEQA

The recommendations made in this letter are exempt from the California Environmental Quality Act (CEQA) by Public Resources Code Section 21080(b)(8) the recommendations are exempt because since they recommend setting of rates and charges 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, it is exempt from CEQA under State CEQA Guidelines 15378 (b)(5) 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.

ATTACHMENT A

PROJECTED 2001-2002 WATER REVENUE REQUIREMENTS

(Cash Basis: \$ in thousands)

| | <u>2000-01</u> | <u>2001-02</u> |
|---|----------------|-----------------|
| Expenditures | | |
| State Water Contract | \$ 294,618 | \$ 292,988 |
| Colorado River Aqueduct | 63,294 | 100,593 |
| Deposit to Transfer Fund | - | - |
| Withdrawal from Transfer Fund for ESRP Fill | (29,327) | (18,319) |
| Water Management Programs | 33,621 | 38,042 |
| Capital Program Financing | 394,170 | 325,975 |
| O&M and Operating Equipment | <u>210,945</u> | <u>214,193</u> |
| Sub-Total Costs | \$ 967,322 | \$ 953,473 |
| Adjustments | | |
| Increase/(Decrease) in Required Reserves | <u>(2,433)</u> | <u>(24,682)</u> |
| Total Obligations | \$ 964,888 | \$ 928,791 |
| Less Other Revenues | | |
| Property Taxes | \$ (103,189) | \$ (102,884) |
| Interest Income | (47,546) | (42,181) |
| Power and Miscellaneous Revenue | (15,700) | (16,014) |
| Contracts | - | (1,595) |
| Readiness to Serve Charge | (80,000) | (80,000) |
| Connection Maintenance Charge | <u>(2,849)</u> | <u>(2,849)</u> |
| Sub-Total Other Revenues | \$ (249,283) | \$ (245,523) |
| Total Water Revenue Requirement | \$ 715,605 | \$ 683,268 |
| Water Sales Revenue | \$ 843,536 | \$ 798,789 |
| Increase (Decrease) in Receipts | \$ 127,931 | \$ 115,521 |
| Water Sales (Cash Year TAF) | | |
| Basic Treated | 1,161 | 1,158 |
| Basic Untreated | 546 | 537 |
| Seasonal Treated | 84 | 75 |
| Seasonal Untreated | 298 | 254 |
| Agricultural Treated | 104 | 90 |
| Agricultural Untreated | <u>18</u> | <u>12</u> |
| Total | 2,212 | 2,126 |

**ATTACHMENT B
PROJECTED RATES AND CHARGES (Effective January 1)**

| | <u>2001</u> | <u>2002</u> |
|--|---|--|
| Readiness to Serve Charge (\$Millions) | \$80M | \$80M |
| | \$50 per cubic foot second per month per connection | \$50 per cubic foot second per month per connection |
| Connection Maintenance Charge (CMC)¹ | | |
| <u>WATER RATES (\$/AF)</u> | | |
| Basic Treated | \$431 | \$431 |
| Basic Untreated | \$349 | \$349 |
| Seasonal Long-Term Treated | \$290 | \$290 |
| Seasonal Shift Treated | \$334 | \$345 |
| Seasonal Long-Term Untreated | \$233 | \$233 |
| Seasonal Shift Untreated | \$277 | \$288 |
| Agricultural Treated | \$294 | \$294 |
| Agricultural Untreated | \$236 | \$236 |

Notes:

[1] The CMC is levied on each cubic foot per second of connected capacity per month. The maximum CMC is \$5,000 per month per connection.

**Attachment C
2001-02 READINESS-TO-SERVE (RTS) CHARGE**

| Member Agency | RTS CHARGES | | | | |
|---|--|----------------|--|---|------------------------------|
| | 3-Year Average Demands (Acre-Feet) ¹ | RTS Share | 6 months @ \$80 million per year (7/00-12/00) | 6 months @ \$80 million per year (1/01-6/01) | Total RTS Charge Revenues |
| Anaheim | 18,709 | 1.24% | \$ 494,708 | \$ 494,708 | \$ 989,416 |
| Beverly Hills | 12,941 | 0.86% | 342,189 | 342,189 | 684,379 |
| Burbank | 16,523 | 1.09% | 436,905 | 436,905 | 873,811 |
| Calleguas MWD | 87,849 | 5.81% | 2,322,926 | 2,322,926 | 4,645,852 |
| Central Basin MWD | 69,047 | 4.56% | 1,825,759 | 1,825,759 | 3,651,517 |
| Coastal MWD | 39,958 | 2.64% | 1,056,580 | 1,056,580 | 2,113,160 |
| Compton | 3,725 | 0.25% | 98,497 | 98,497 | 196,995 |
| Eastern MWD | 48,240 | 3.19% | 1,275,575 | 1,275,575 | 2,551,149 |
| Foothill MWD | 7,961 | 0.53% | 210,507 | 210,507 | 421,014 |
| Fullerton | 7,457 | 0.49% | 197,180 | 197,180 | 394,360 |
| Glendale (a) | 26,456 | 1.75% | 699,556 | 699,556 | 1,399,113 |
| Inland Empire Utilities Agency | 34,369 | 2.27% | 908,794 | 908,794 | 1,817,588 |
| Las Virgenes MWD | 18,014 | 1.19% | 476,331 | 476,331 | 952,662 |
| Long Beach (a) | 42,539 | 2.81% | 1,124,827 | 1,124,827 | 2,249,655 |
| Los Angeles | 164,220 | 10.86% | 4,342,348 | 4,342,348 | 8,684,696 |
| Municipal Water District of Orange County | 177,584 | 11.74% | 4,695,722 | 4,695,722 | 9,391,445 |
| Pasadena | 14,824 | 0.98% | 391,980 | 391,980 | 783,960 |
| San Diego County Water Authority | 407,484 | 26.94% | 10,774,798 | 10,774,798 | 21,549,596 |
| San Fernando (b) | 106 | 0.01% | 2,803 | 2,803 | 5,606 |
| San Marino (a) | 1,327 | 0.09% | 35,089 | 35,089 | 70,178 |
| Santa Ana | 12,633 | 0.84% | 334,045 | 334,045 | 668,090 |
| Santa Monica | 5,008 | 0.33% | 132,423 | 132,423 | 264,846 |
| Three Valleys MWD | 58,267 | 3.85% | 1,540,711 | 1,540,711 | 3,081,422 |
| Torrance (a) | 20,311 | 1.34% | 537,069 | 537,069 | 1,074,137 |
| Upper San Gabriel Valley MWD | 7,163 | 0.47% | 189,406 | 189,406 | 378,812 |
| West Basin MWD | 153,155 | 10.12% | 4,049,764 | 4,049,764 | 8,099,529 |
| Western [®] MWD | 56,860 | 3.76% | 1,503,507 | 1,503,507 | 3,007,014 |
| MWD Total | 1,512,730 | 100.00% | \$ 40,000,000 | \$ 40,000,000 | \$ 80,000,000 |

(1) Average AF Sales = (FY93-94 + FY 94-95 + FY 95-96 AF Adjusted Sales)/3

(a) Maximum RTS charge is New Demand Charge Base (FY 1995-96 = base)

(b) Minimum RTS is 50% of FY 1995-96 RTS charge

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
ENGINEER'S REPORT

PROGRAM TO LEVY READINESS-TO-SERVE CHARGE,
INCLUDING LOCAL OPTION FOR STANDBY CHARGE,
DURING FISCAL YEAR 2001-2002

December 2000

BACKGROUND

The Metropolitan Water District of Southern California is a public agency with a primary purpose to provide imported water supply for domestic and municipal uses at wholesale rates to its member public agencies. More than 17 million people reside within Metropolitan's service area, which covers over 5,000 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura. Currently, Metropolitan provides over 50 percent of the water used within its service area.

REPORT PURPOSES

As part of its role as an imported water supplier, Metropolitan builds capital facilities and implements water management programs which ensure reliable high quality water supplies throughout its service area. The purpose of this report is to: (1) identify and describe those facilities and programs which will be financed in part by Metropolitan's readiness-to-serve (RTS) charge in FY 2001-2002, and (2) describe the method and basis for levying Metropolitan's standby charge for those agencies electing to collect a portion of their RTS obligations through Metropolitan's standby charge.

Metropolitan levies the RTS charge on its member agencies to recover a portion of the debt service on bonds issued to finance capital facilities needed to meet existing demands on Metropolitan's system. The standby charge is levied on parcels of land within certain of Metropolitan's member agencies as a method of collecting part or all of such member agency's RTS charge obligation. The RTS charge will partially pay for the facilities and programs described in this report. The standby charge, if levied, will be utilized solely for capital payments and debt service on the capital facilities identified in this report.

METROPOLITAN'S RESPONSE TO INCREASING WATER DEMANDS

To respond to increasing demands for water, Metropolitan and its member agencies collectively examined the available local and imported resource options in order to develop a least-cost plan that meets the reliability and quality needs of the region. The product of this intensive effort was an Integrated Resources Plan (IRP) for achieving a reliable and affordable water supply for Southern California. The major objective of the IRP was to develop a comprehensive water resources plan that ensures (1) reliability, (2) affordability, (3) water quality, (4) diversity of supply, and (5) adaptability for the region, while recognizing the environmental, institutional, and political constraints to resource development. As these constraints change over time, the IRP is periodically revisited and updated by Metropolitan and the member agencies to reflect current conditions. The IRP will be updated in 2001. To meet the water supply needs of existing and future customers within its service area, Metropolitan continues to identify and develop additional water supplies to maintain the reliability of the imported water supply and delivery system. These efforts include the construction of capital facilities and implementation of demand management programs.

Capital Facilities

The capital facilities include the State Water Project (SWP), the Colorado River Aqueduct (CRA), storage facilities including the recently completed Diamond Valley Lake (DVL), and additional conveyance and distribution system components. The benefits of these capital facilities are both local and system-wide, as the facilities directly contribute to the reliable delivery of water supplies throughout Metropolitan's service area.

State Water Project

In 1960, Metropolitan contracted with the California Department of Water Resources (DWR) to receive SWP supplies. Under this contract Metropolitan is obligated to pay its allocable portion of the construction and operation and maintenance costs of the SWP system through at least the year 2035, regardless of the quantities of project water Metropolitan takes. Metropolitan is entitled to over 2 million acre-feet of the total SWP entitlements of 4.2 million acre-feet. All Metropolitan member agencies benefit from the SWP supplies which are distributed to existing customers and are available to future customers throughout Metropolitan's service area. The potential benefit of the SWP allocable to the RTS charge in FY 2001-2002 is shown in Table 1.

System Storage Benefits

The Metropolitan system, for purposes of meeting demands during times of shortage, regulating system flows, and to ensure system reliability in the event of a system outage, provides over 1,000,000 acre-feet of system storage capacity. The recently completed DVL provides 800,000 acre-feet of storage capacity for water from the Colorado River Aqueduct and SWP, effectively doubling Southern California's previous surface water storage capacity. Water stored in system storage during above average supply conditions (surplus) provides a reserve against shortages when supply sources are limited or disrupted. System storage also preserves Metropolitan's capability to deliver water during scheduled maintenance periods, when conveyance facilities

must be removed from service for rehabilitation, repair, or maintenance. The potential benefit of system storage in FY 2001-02 is shown in Table 1.

Conveyance and Distribution System Benefits

Metropolitan has an ongoing commitment, through physical system improvements and the maintenance and rehabilitation of existing facilities, to maintain the reliable delivery of water throughout the entire service area. System improvement projects include additional conveyance and distribution facilities to maintain the dependable delivery of water supplies, provide alternative system delivery capacity, and enhance system operations. Conveyance and distribution system improvement benefits also include 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 conveyance and distribution system facilities is provided in Table 3 along with the FY 2001-02 estimated conveyance and distribution system benefits.

Demand Management Programs

Demand management programs that could be financed by the RTS charge and standby charge include Metropolitan's participation in providing financial incentives to local agencies for the construction and development of local resource programs and conservation projects. Investments in demand side management programs like conservation, water recycling and groundwater recovery reduce the need to provide additional imported water supplies and help defer the need for additional conveyance, distribution, and storage facilities. A summary of the estimated benefits of the demand management programs (as measured by Metropolitan's anticipated expenditures for these programs in FY 2001-02) is shown in Table 1.

Local Resources Program

In 1998, Metropolitan's Board adopted the Local Resources Program (LRP) with the goal of developing local water resources in a cost efficient manner. Financial incentives of up to \$250 per acre-foot are provided to member agency-sponsored projects that best help the region achieve its local resource production goals of restoring degraded groundwater resources for potable use and developing recycled supplies. In both instances, the programs provide new water supplies, which help defer the need for additional regional conveyance, distribution and storage facilities.

Combined production from participating recycling and groundwater recovery projects is expected to yield approximately 136,000 acre-feet of water for FY 2001-02 with financial incentive payments of about \$24 million. A regional recycling and recovered groundwater goal of 500,000 acre-feet per year has been set for the year 2020. An estimate of potential incentive payments for recycling and groundwater recovery projects is shown in Table 2.

Water Conservation

Metropolitan actively promotes water conservation programs within its service area as a cost effective strategy for ensuring the long-term reliability of supplies and as a means of reducing the

need to expand system conveyance, distribution and treatment capacity. Through programs such as the Conservation Credits Program and other financing mechanisms, Metropolitan reimburses local agencies for a share of their costs of implementing conservation projects. Since Fiscal Year 1990-91, Metropolitan has spent over \$100 million to support local conservation projects.

In 1991, Metropolitan agreed to implement conservation "Best Management Practices" (BMPs). By signing the Memorandum of Understanding Regarding Urban Water Conservation in California, Metropolitan committed to implement proven and reliable water conserving technologies and educational programs for conservation within its jurisdiction. Based on Metropolitan's IRP, the Conservation Credits Program, in conjunction with plumbing codes and other conservation efforts, is expected to save over 500,000 acre-feet in FY 2000-01. By 2020, it is assumed that conservation practices will save 880,000 acre-feet, reducing total water demand by about 15 percent. Conservation is a critical element of Metropolitan's demand management program, effectively increasing the reliability of existing water supplies by lessening the need to import additional water while at the same time deferring the need to expand system capacity. An estimate of the potential benefits of water conservation projects is given in Table 2.

LONG-RANGE FINANCIAL PLANNING

Metropolitan's major capital facilities are financed largely from the proceeds of revenue bond issues, which are repaid over future years. The principal source of revenue for repayment of these bonds is water sales, which is currently Metropolitan's largest source of revenue. In addition, *ad valorem* property taxes provide an additional limited revenue source, which is used to pay pre-1978 voter-approved indebtedness.

Since the passage of Article XIII A of the California Constitution, 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, but also for replacement and improvement of capital facilities.

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. The use of water rates as a primary source of revenue has placed an increasing burden on rate payers, which might more equitably be paid in part by assessments on land that in part derives its value from the availability of water. In December 1993, Metropolitan's Board approved a revenue structure that included additional charges to establish a commitment to Metropolitan's capital improvement program and provide revenue stability. This revenue structure included the RTS charge.

Readiness-To-Serve Charge

As noted above, Metropolitan levies the RTS charge on its member agencies to recover a portion of the debt service on bonds issued to finance capital facilities needed to meet existing demands on Metropolitan's system. The estimated potential benefits that could be paid by an RTS charge

in FY 2000-01 are shown in Table 1. Potential benefits are estimated to be over \$249 million in FY 2000-01.

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 a portion of the non-tax supported debt service that has been or will be issued to fund capital facilities. For FY 2001-02, this amount is estimated to be \$80,000,000 (see Table 4). The conveyance and distribution system capital facilities considered for the RTS are shown in Table 3. These funds, when combined with Metropolitan's overall financial resources, will result in greater water rate stability for all users throughout Metropolitan's service area. Continuing a formula approved during the Rate Refinement process, the RTS charge for FY 2001-02 is allocated to each member agency on the basis of a three-year average of historic water purchases from Metropolitan for Fiscal Years 1993-94, 1994-95, 1995-96. This average includes sales for consumptive demands, agriculture, and storage. The estimated FY 2001-02 RTS for each member agency is shown in Table 4.

Standby Charge Option

Metropolitan's standby charge is authorized by the State Legislature and has been levied by Metropolitan since FY 1992-93. The standby charge recognizes that there are economic benefits to lands that have access to a water supply, whether or not such lands are using it. Utilization of the standby charge transfers some of the burden of maintaining Metropolitan's capital infrastructure from water rates and *ad valorem* taxes to all the benefiting properties within the service area. 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 capital projects that provide both local and Metropolitan-wide benefit to current landowners as well as existing water users. The estimated potential benefits system-wide are several times the amount to be recovered by means of the standby charge.

Metropolitan will levy standby charges only within the service areas of the member agencies that request that the standby charge be utilized. 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 water standby charge for each member agency will be the same as those imposed by Metropolitan in FY 1996-97 and is shown in Table 5.

The proposed standby charge includes the re-imposition of water standby charges on: 1) parcels which water standby charges have been imposed in FY 1996-97 and annually thereafter ("pre-1997 standby charges") and 2) parcels annexed to Metropolitan and to an electing member agency after January 1997 ("annexation standby charges"). Only land within member agencies which standby charges were imposed in FY 1996-97 will be subject to the re-imposition of pre-1997 standby charges for FY 2001-02. Only land annexed to Metropolitan and to an electing member public agency with respect to which standby charges were approved in accordance with the procedures of Article XIID, Section 4 of the California Constitution will be subject to the imposition or re-imposition, as applicable, of annexation standby charges for FY 2000-01.

Table 6 includes a table of parcels subject to annexation standby charges, by county, including the proposed standby charge for each parcel annexed after June 1999.

All non-exempt parcels within the areas served by member agencies which utilized the standby charge to recover all or a portion of that agency's RTS obligation, and which are not listed in Table 6 as being subject to annexation standby charges, shall be subject to pre-1997 standby charges. A list of parcels subject to pre-1997 standby charges is on file with the Executive Secretary.

The estimated potential benefits of Metropolitan's water supply program, which could be paid by a standby charge, is approximately \$249 million for FY 2001-02, as shown in Table 1. An average total standby charge of \$59.56 per acre of land or per parcel of less than one acre would be necessary to pay for the total potential program benefits. Benefits in this amount will accrue to each acre of property and parcel within Metropolitan, as these properties are eligible to use water from the Metropolitan system. Because only properties located within Metropolitan's boundaries may receive water supplies from Metropolitan (except for certain contractual deliveries as permitted under Section 131 of the Metropolitan Water District Act), any benefit received by the public at large or by properties outside of the proposed area to be annexed is merely incidental.

Table 5 shows that the distribution of standby charge revenues from the various member agencies would provide a net revenue flow of approximately \$42 million for FY 2001-02. This total amount is less than projected collections from the RTS charge. Metropolitan will use other revenue sources, such as water sales revenues, 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 program benefits. Thus, the benefits of Metropolitan's investments in water conveyance, storage, distribution and supply programs far exceed the recommended standby charge.

Equity

The RTS charge is a firm revenue source. The revenues to be collected through this charge will not vary with sales in the current year. This charge is levied on Metropolitan's member agencies and is not a fee or charge upon real property or upon persons as an incident of property ownership. It ensures that agencies that 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 that 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 importing 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 consumers 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 SWP, CRA, DVL, 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 water supplies from the SWP and DVL can be used interchangeably throughout most of the service area and therefore benefit water users and properties system-wide.

Additional Metropolitan deliveries required in the coming fiscal year due to the demands of property development will be reduced by the implementation of demand management projects, including water conservation, water recycling, and groundwater recovery projects. As with the SWP, DVL and the conveyance and distribution facilities, demand management programs increase the future reliability of water supplies. In addition, demand management programs provide system-wide benefits by effectively decreasing the demand for imported water, which helps to defer construction of additional system conveyance and distribution capacity. However, the abilities of each member agency to implement these projects under Metropolitan's financial assistance programs vary and are generally represented by the historic 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 low water sales. It affords Metropolitan additional security, when borrowing funds, that a portion of the revenue stream will be unaffected by drought or by rainfall. This security will help maintain Metropolitan's historically high credit rating, which results in lower interest expense to Metropolitan, and therefore, lower 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 and property owners. The projects represented by this report provide both local benefits as well as benefits throughout the entire service area. It is recommended, for FY 2001-02, 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 RTS, up to the standby charge per acre or parcel of less than one acre levied by Metropolitan within the applicable member agency for FY 1995-96. 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 exceed the recommended charge. A listing of all parcels in the service area and the proposed 2001-2002 standby charge for each is available in the office of the Chief Financial Officer.

Prepared Under the Supervision Of:

Prepared Under the Supervision Of:

B. Anatole Falagan RCE 45669
Assistant Group Manager

Brian G. Thomas
Chief Financial Officer

Water Resources Management

TABLE 1

**ESTIMATED DISTRIBUTION OF BENEFITS OF WATER SUPPLY
PAYABLE BY STANDBY CHARGE**

| Water Conveyance, Storage, Distribution and Supply Program | Estimated Potential Program Benefits for FY2001-02 | Dollars Per Parcel of 1 Acre or Less |
|--|---|---|
| Net Capital Payments to State Water Project (less portion paid by property taxes) | \$59,370,868 | \$14.18 |
| Non Tax Supported Debt Service Costs for System Storage ¹ | 77,458,358 | 18.51 |
| Non Tax Supported Debt Service Costs for Conveyance and Distribution System ² | 74,420,344 | 17.78 |
| Sub-Total Capital Payments | 211,249,570 | 50.47 |
| less Estimated Standby Charge Revenues | (42,143,840) | (10.07) |
| Remaining capital payments recovered by RTS, Water Rate, Interest Income and Other Revenues | 169,105,730 | 40.40 |
| Demand Management Programs: Water Recycling, Groundwater Recovery and Water Conservation Projects | 38,042,499 | 9.09 |
| Sub-Total Capital, Debt Service and Water Management Programs Costs not Paid by Standby Charge Revenues | 207,148,229 | 49.49 |
| Total Benefits: Capital and Water Management Programs | \$249,292,069 | \$59.56 |

Notes:

[1] System storage includes Diamond Valley Lake, Lake Mathews, Lake Skinner and several other smaller surface reservoirs which provide regulatory storage for operational purposes.

[2] Conveyance and Distribution facilities include the Colorado River Aqueduct and the pipelines, laterals, feeders and canals that distribute water throughout the service area.

TABLE 2
WATER RECYCLING, GROUNDWATER RECOVERY
AND CONSERVATION PROJECTS

| Project Name | FY 2001-02 Payment |
|---|-----------------------|
| Water Recycling Projects | \$17,311,315 |
| Burbank Reclaimed Water System Expansion Project | |
| Calabasas Reclaimed Water System Expansion | |
| Carbon Canyon Reclamation Project | |
| Century Reclamation Program | |
| Cerritos Reclaimed Water Expansion Project | |
| Conejo Creek Diversion Project | |
| Eastern Reach 1, Phase II Water Reclamation Project | |
| Eastern Regional Reclaimed Water System | |
| Encina Basin Water Reclamation Project Phase I | |
| Escondito Regional Reclaimed Water Project | |
| Fallbrook Reclamation Project | |
| Glendale Water Reclamation Expansion Project | |
| Glendale Verdugo-Scholl Canyon Reclaimed Water Project | |
| Glendale Brand Park Reclaimed Water Project | |
| Green Acres Reclamation Project | |
| Irvine Ranch Reclamation Project | |
| Lakewood Water Reclamation Project | |
| Las Virgenes Reclamation Project | |
| Long Beach Reclamation Project | |
| Long Beach Reclaimed Water Master Plan Phase 1 | |
| Los Angeles Greenbelt Project | |
| Moulton Niguel Water Reclamation Project | |
| North City Water Reclamation Project | |
| Oak Park/North Ranch Reclaimed Water Distribution System | |
| Oceanside Water Reclamation Project | |
| Otay Water Reclamation Project, Phase 1 | |
| Padre Dam Reclaimed Water System Phase I | |
| Rancho California Reclamation Expansion Project | |
| Rancho Santa Fe Reclaimed Water System | |
| Rio Hondo Water Reclamation Program | |
| San Clemente Water Reclamation Project | |
| San Elijo Water Reclamation System | |
| San Pasqual Water Reclamation Project | |
| Santa Margarita Water Reclamation Expansion Project | |
| Santa Monica Dry-Weather Runoff Reclamation Facility | |
| Ramona/Santa Maria Water Reclamation Project | |
| Sepulveda Basin Water Reclamation Project | |
| Shadowridge Water Reclamation Project | |
| South Laguna Reclamation Expansion Project | |
| South Laguna Reclamation Project | |
| Trabuco Canyon Reclamation Expansion Project | |
| West Basin Water Reclamation Project | |

TABLE 2 (Continued)

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

| Project Name | FY 2001-02 Payment |
|--|-----------------------|
| Groundwater Recovery Projects | \$6,944,184 |
| Arlington Basin Groundwater Desalter Project | |
| Beverly Hills Desalter | |
| Burbank Lake Street Plant | |
| Capistrano Beach Desalter | |
| Chino Basin Desalination Program, Phase I | |
| Colored Water Treatment Facility | |
| Glenwood Nitrate Water Reclamation Project | |
| Irvine Desalter Project | |
| Lower Sweetwater River Groundwater Demineralization Project, Phase I | |
| Madrona Desalination Facility Project | |
| Menifee Basin Desalter | |
| Oceanside Desalter - Phase I | |
| Oceanside Desalter, Phase II | |
| Rowland Groundwater Treatment Plant | |
| San Juan Basin Desalter | |
| Santa Monica GW Treatment Plant | |
| Sepulveda Desalination Facility Project | |
| Temescal Basin Desalting Facility | |
| Tustin Desalter Project | |
| West Basin (No. 1) | |
| Westlake Wells - Tapia WRF Intertie Project | |
| Conservation Projects | \$13,787,000 |
| Commercial and Industrial Water Evaluations and Retrofits | |
| Indoor and Outdoor Residential Water Audits | |
| Landscape Education Programs | |
| Landscape Water Conservation | |
| Pilot Projects for "Potential" Best Management Practices | |
| Showerhead Retrofits | |
| Ultra-low-flush Toilet Retrofits | |
| Water and Energy Conservation Partnership | |
| Total | \$38,042,499 |

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

Conveyance and Aqueduct Facilities

LITTLE MORONGO CIRCULAR SIPHON
 FAN HILL EXPERIMENTAL
 FAN HILL EXPERIMENTAL SIPHON & TRANSITIONS
 MECCA PASS TUNNELS
 WHITEWATER TUNNELS
 TUNNEL WATER INVESTIGATIONS
 HAYFIELD TUNNEL NO. 2
 CASA LOMA SIPHON- CENTER PORTION SCHEDULE 20C
 BERNASCONI TUNNEL
 CASA LOMA SIPHON- WEST PORTION SCHEDULE 20
 COTTONWOOD TUNNEL
 HAYFIELD TUNNEL NO. 1
 COLORADO RIVER ACQUEDUCT & COVER CONDUIT, SCHEDULE 7
 COLORADO RIVER ACQUEDUCT, CONCRETE LINED CANAL, SCHEDULE 7A
 COLORADO RIVER TUNNEL
 COPPER BASIN TUNNELS NO. 1 & 2
 WEST EAGLE MOUNTAIN TUNNEL, WEST PORTION
 COLORADO RIVER ACQUEDUCT, CONCRETE LINED CANAL, SCHEDULE 10
 COLORADO RIVER ACQUEDUCT, 10 BOX SIPHONS, SCHEDULE 10A
 COLORADO RIVER ACQUEDUCT, CIRC. SIPHON, SCHEDULE 10B
 COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.14
 COLORADO RIVER ACQUEDUCT, CIRCULAR SIPHON, SK. 14A
 COLORADO RIVER ACQUEDUCT, CONDUIT SCHEDULE 1
 COLORADO RIVER ACQUEDUCT, 3 SIPHONS, SCHEDULE 1A
 COLORADO RIVER ACQUEDUCT, 2 HALF-CAP SIPHONS, SCHEDULE 1B
 HALF CAP CIRC. SIPHONS SCHEDULE 18J
 CONDUIT SCHEDULE 23
 CIRCULAR SIPHONS SCHEDULE 20
 PERRIS VALLEY SIPHON SCHEDULE 22
 VAL VERDE TUNNEL
 IRON MOUNTAIN TUNNEL, EAST PORTION
 COLORADO RIVER ACQUEDUCT, LINED CANAL SCHEDULE 5
 COLORADO RIVER ACQUEDUCT, 12 HALF-CAP SIPHONS, SCHEDULE 5A
 COLORADO RIVER ACQUEDUCT CANAL SCHEDULE 13
 COLORADO RIVER ACQUEDUCT, 6 BOX SIPHONS, SCHEDULE 13B
 COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.13A
 WHIPPLE MOUNTAIN TUNNEL
 IRON MOUNTAIN TUNNEL, WEST PORTION
 COLORADO RIVER ACQUEDUCT, LINED CANAL SCHEDULE 4A
 COLORADO RIVER ACQUEDUCT, 10 HALF-CAP SIPHONS, SCHEDULE 4A
 COXCOMB TUNNEL
 WEST EAGLE MOUNTAIN TUNNEL, EAST PORTION
 COACHELLA TUNNELS

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

COLORADO RIVER ACQUEDUCT , CONCRETE LINED CANAL, SCHEDULE 9
 COLORADO RIVER ACQUEDUCT, 8 BOX SIPHONS, SCHEDULE 9B
 COLORADO RIVER ACQUEDUCT & COVER CONDUIT SCHEDULE 9A
 COLORADO RIVER ACQUEDUCT, CONDUIT SCHEDULE 2
 COLORADO RIVER ACQUEDUCT, CONDUIT, SCHEDULE 3 (ACCTG RECORDS - LINED CANAL?)
 COLORADO RIVER ACQUEDUCT, 8 HALF-CAP SIPHONS, SCHEDULE 3B
 COLORADO RIVER ACQUEDUCT, 12 HALF-CAP SIPHONS, SCHEDULE 3A
 COLORADO RIVER ACQUEDUCT, 7 HALF-CAP SIPHONS, SCHEDULE 2B
 COLORADO RIVER AQUEDUCT, 10 HALF-CAP SIPHONS SCHEDULE 17B
 CUT-AND-COVER CONDUIT SCHEDULE 17;17A
 COLORADO RIVER ACQUEDUCT CANAL SCHEDULE 11
 COLORADO RIVER ACQUEDUCT, 9 BOX SIPHONS, SCHEDULE 11B
 COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.11A
 COLORADO RIVER ACQUEDUCT, CIRC. SIPHON, SCHEDULE 11C
 EAST EAGLE MOUNTAIN TUNNEL
 COLORADO RIVER AQUEDUCT, 1 BOX SIPHON, SCHEDULE HAYFIELD
 COLORADO RIVER ACQUEDUCT, LINED CANAL SCHEDULE 8
 COLORADO RIVER ACQUEDUCT, FRIDAY HALF-CAP SIPHON, SCHEDULE 6
 COLORADO RIVER ACQUEDUCT, HALF-CAP SIPHONS, SCHEDULE 8A
 COLORADO RIVER ACQUEDUCT, HALF-CAP SIPHONS, SCHEDULE 8B
 COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.15
 COLORADO RIVER ACQUEDUCT, 2 CIRCULAR SIPHONS, SK. 15A
 COLORADO RIVER ACQUEDUCT, 2 16 FT.,CIRCULAR SIPHONS, SK.15B
 CONDUIT SCHEDULE 18
 HALF CAP CIRC. SIPHONS SCHEDULE 18A
 COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.12
 COLORADO RIVER ACQUEDUCT, 2 CIRCULAR SIPHONS, SCHEDULE 12A
 COLORADO RIVER ACQUEDUCT, GENE INLET SIPHON
 COLORADO RIVER ACQUEDUCT, COPPER BASIN SIPHON
 CUT-AND-COVER CONDUIT, SCHEDULE 16
 COLORADO RIVER AQUEDUCT, 4 SIPHONS , SCHEDULE 16B
 COLORADO RIVER AQUEDUCT, 2 HALF-CAP SIPHONS, SCHEDULE 16A
 CONDUIT SCHEDULE 19
 HALF CAP CIRC. SIPHONS SCHEDULE 19A
 SAN JACINTO TUNNEL
 CASA LOMA SIPHON- EAST PORTION SCHEDULE 20A; 20B
 GATES, FOUR SAN JACINTO TUNNEL - CRA (ORG CONST)
 BLOWOFF AT WIDE CANYON SIPHON- CRA (INTERIM CONST)
 SAN JACINTO TUNNEL: ADDITIONAL GROUTING
 SAN JACINTO TUNNEL:SECOND BARREL OF CASA LOMA SIPHONS
 SAN JACINTO TUNNEL: EXPANSION OF SIPHONS (EAST OF TUNNEL)
 SAN JACINTO TUNNEL: EXPANSION OF SIPHONS (EAST OF TUNNEL)
 EAST BRANCH AQUEDUCT STUDIES
 CANAL CURB ALONG COLORADO RIVER AQUEDUCT
 CASA LOMA SIPHON- REPLACE FIRST BARREL
 SAND TRAP STUDY
 CASA LOMA PIPELINE-CONSTRUCT OVERFLOW BASIN & DRAIN LINE
 BERNASCONI TUNNEL NO.2, SCH. 311
 MODIFY STRUCTURE EAST WIDE CANYON SIPHON
 REPAIR DETERIORATED JOINTS IN CRA LAKEVIEW SIPHON
 INLAND FEEDER PROJECT

Sub-Total Conveyance and Aqueduct Facilities Benefits

\$ 26,377,217

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

Distribution Facilities

PORTION OF CASA LOMA SIPHON
 CASA LOMA CANAL, SCHEDULE 11C (SPEC NO. 554)
 CASA LOMA CANAL, SCHEDULE 11C (SPEC NO. 554)
 SECOND SAN DIEGO ACQUEDUCT, SCHEDULE SD4C (SPEC NO. 554)
 SECOND SAN DIEGO ACQUEDUCT, SCHEDULE SD2C (SPEC NO. 554)
 SECOND SAN DIEGO ACQUEDUCT, SCHEDULE SD3C (SPEC NO. 554)
 SECOND SAN DIEGO ACQUEDUCT, SCHEDULE SD1C (SPEC NO. 554)
 SECOND SAN DIEGO ACQUEDUCT, MISCELLANEOUS CREDITS (SPEC NO. 554)
 ORANGE COUNTY FEEDER SCHEDULE 34P
 ORANGE COUNTY FEEDER SCHEDULE 37SC
 ORANGE COUNTY FEEDER SCHEDULE 35P
 ORANGE COUNTY FEEDER SCHEDULE 36P
 ORANGE COUNTY FEEDER EXTENSION SCHEDULE 42S
 METER & CHLORINATION EQUIPMENT - ORANGE COUNTY FEEDER
 VALVE, 20" SECTIONALIZING - ORANGE COUNTY FEEDER (ORG CONST)
 KIMBERLY STORM CHANNEL-ORANGE COUNTY FEEDER (ORG CONST)
 STATION 1278+00 TO 1291+00 - ORANGE COUNTY FEEDER (ORG CONST)
 EAGLE ROCK-PALOS VERDES FEEDER SCHEDULE 23SC
 EAGLE ROCK-PALOS VERDES FEEDER SCHEDULE 21SC
 EAGLE ROCK-PALOS VERDES FEEDER SCHEDULE 22SC
 EAGLE ROCK-PALOS VERDES FEEDER SCHEDULE 24SC
 EAGLE ROCK-PALOS VERDES FEEDER SCHEDULE 25SC
 VALVES - PALOS VERDES FEEDER
 PALOS VERDES FDR - WASHINGTON ST. PCS REHABILITATION
 PALOS VERDES FDR - MODIFICATION OF CITY OF L A SERVICE CONNECTIONS
 PALOS VERDES FEEDER-REHAB DOMINGUEZ CHAN (Project 100851)
 SANTA MONICA FEEDER SCHEDULE 29SC (SPEC NO. 328)
 SANTA MONICA FEEDER SCHEDULE 30SC
 HOLLYWOOD TUNNEL (SPEC NO. 329)
 SANTA MONICA FEEDER SCHEDULE 32C1 (SPEC NO. 333)
 SANTA MONICA FEEDER SCHEDULE 33C1
 SANTA MONICA FEEDER SCHEDULE 31P
 TURNOUT STRUCTURE, SERVICE CONNECTION G-2-SANTA MONICA FEEDER (ORG CONST)
 SANTA MONICA FDR - HOLLYWOOD TNL. REPLACE 16" PLETON SLEEVE VALVE
 SANTA MONICA FDR SUNSET RELIEF STRUCTURE
 Santa Monica Feeder-Replace Cast Iron Flanges (Project 102725)
 SIERRA MADRE TUNNEL
 PASADENA TUNNEL EXTENSION
 UPPER FEEDER SCHEDULE 8P
 PASADENA TUNNELS
 MONROVIA TUNNELS NO.1 & NO.2
 UPPER FEEDER SCHEDULE 4P
 UPPER FEEDER SCHEDULE 5P
 UPPER FEEDER SCHEDULE 10P
 SAN RAFAEL TUNNELS NO. 1 & NO. 2
 UPPER FEEDER SCHEDULE 2S
 SANTA ANA RIVER BRIDGE SCHEDULE 2B
 UPPER FEEDER SCHEDULE 11P
 UPPER FEEDER SCHEDULE 3P
 UPPER FEEDER SCHEDULE 1P
 UPPER FEEDER SCHEDULE 7P
 UPPER FEEDER SCHEDULE 6P

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

MONROVIA TUNNEL NO. 4
 MONROVIA TUNNELS NO.3
 UPPER FEEDER SCHEDULE 9P
 SAN GABRIEL CANYON CROSSING SCHEDULE 8C
 MONROVIA CANYON CROSSING SCHEDULE 9C
 EAGLE ROCK CANYON CROSSING SCHEDULE 12C
 MORRIS RESERVOIR CONNECTION (SPEC NO. 338)
 REPLACE EXISTING EQP. ON UPPER FDR FROM LK.MATHEWS TO EAGLE ROCK
 REPLACE EQUIPMENT ON UPPER FEEDER IN EAGLE ROCK (replace 115)
 VALVE-HOLLYWOOD TUNNEL CONTROL STRUCTURE - SANTA MONICA FEEDER (INTERIM CONST)
 WEST BASIN LATERAL EXTENSION
 WEST BASIN LATERAL: STA.4+95 TO 355+19, SCH.43P (SPEC NO. 378)
 WEST BASIN LATERAL: STA.4+95 TO 355+19, SCH.43P (SPEC NO. 378)
 GARVEY-ASCOT CROSS CONNECTION: STA. 134+00 TO 147+00 (SPEC NO. 401 & 410)
 GARVEY-ASCOT CROSS CONNECTION: STA. 134+00 TO 147+00 (SPEC NO. 401 & 410)
 REMOVAL OF VALVE G-205 FROM MIDDLE FDR CEN. B-37
 ORANGE COUNTY FEEDER EXTN.TERMINUS REVISION:STA.2053+43 TO 2134+81
 VICTORIA ST. LATERAL EXTN. & VICTORIA ST.-223RD ST. CROSS FEEDER (SPEC NO. 406)
 LOWER FEEDER: CAJALCO TUNNEL: STA. 1+00 TO 80+00 (SPEC NO. 413)
 MIDDLE CROSS FEEDER:STA.285+40 TO 360+62.29(WADSWORTH-FIGUEROA ST) (SPEC 452, SCH 54SC)
 MIDDLE CROSS FEEDER:STA.285+40 TO 360+62.29(WADSWORTH-FIGUEROA ST) (SPEC 452, SCH 55SC)
 LOWER FEEDER:STA. 77+45 TO 282+50(CAJALCO TNL.TO E. BND.OF CORONA) SCH 70P (SPEC 438)
 LOWER FEEDER: CAJALCO TUNNEL TO CORONA PIPELINE, SCH 71P (SPEC NO. 438)
 SAN JUAN TUNNEL (SPEC NO. 437)
 LOWER FEEDER: STA. 663+00 TO 793+80, SCH. 73SC (SPEC 455)
 LOWER FEEDER: STA. 793+80 TO 919+54 SCH. 72, 73, 74 (SPEC NO. 455)
 LOWER FEEDER:STA.524+05 TO 663+00(W.BND.OF CORONA TO SA RIVER CYN.)
 MIDDLE FEEDER: STA. 244+75 TO 247+45 (SPEC NO. 416)
 MIDDLE FEEDER: STA. 244+75 TO 247+45 (SPEC NO. 416)
 MIDDLE FEEDER: STA. 244+75 TO 247+45 (SPEC NO. 416)
 WEST ORANGE COUNTY FEEDER- STA.0/03 TO 458/90, SCH. 60SC (SPEC #427)
 MIDDLE FEEDER: STA.944+00 TO 1105+50 (SO SAN GABE-GARVEY RSVR) SCH 59A (SPEC 498)
 MIDDLE FEEDER: STA.944+00 TO 1105+50 (SO SAN GABE-GARVEY RSVR) SCH 59A (SPEC 498)
 LOWER FEEDER: STA. 988+54.00 TO 1031+52.75 (SCH. 75P)
 MIDDLE FEEDER: STA. 550+00 TO 759+00 (BALDWIN PK-SO SAN GABE) SCH 58SC (SPEC 491)
 MIDDLE FEEDER: STA. 759+00 TO 944+00 (BALDWIN PK-SO SAN GABE) SCH 59SC (SPEC 491)
 MIDDLE FEEDER: STA. 550+00 TO 759+00 (BALDWIN PK-SO SAN GABE) SCH 58SC (SPEC 491)
 MIDDLE FEEDER: STA. 759+00 TO 944+00 (BALDWIN PK-SO SAN GABE) SCH 59SC (SPEC 491)
 MIDDLE CROSS FEEDER: STA 0+09.98 TO 285+40-GARFIELD-WADSWORTH AVE(SPEC 453)
 MIDDLE CROSS FEEDER: STA 0+09.98 TO 285+40-GARFIELD-WADSWORTH AVE(SPEC 453)
 MIDDLE CROSS FEEDER: STA 0+09.98 TO 285+40-GARFIELD-WADSWORTH AVE(SPEC 453)
 WESTORANGE COUNTY FEEDER EXT - STA. 459+01 TO 685+00, SCH. 61SC (SPEC#482)
 CULVER CITY FEEDER: STA.0+12.07 TO 261+00, SCH. 62, 63,64 (SPEC NO. 512)
 CULVER CITY FEEDER: STA.0+12.07 TO 261+00, SCH. 62, 63,64 (SPEC NO. 512)
 MIDDLE FEEDER: STA. 7+53.65 TO 301+00 (LA VERNE-GRAND AVE.)SCH 56SC (SPEC 485)
 MIDDLE FEEDER: STA. 7+53.65 TO 301+00 (GRAND AVE-BALDWIN PK.)SCH 57SC (SPEC 485)
 MIDDLE FEEDER: STA. 7+53.65 TO 301+00 (GRAND AVE-BALDWIN PK.)SCH 57SC (SPEC 485)
 MIDDLE FEEDER: STA. 7+53.65 TO 301+00 (LA VERNE-GRAND AVE.)SCH 56SC (SPEC 485)
 EAST ORANGE COUNTY FEEDER, SCHEDULE 81P (SPEC #578)
 EAST ORANGE COUNTY FEEDER, SCHEDULE 81P (SPEC #578)
 EAST ORANGE COUNTY FEEDER NO.2, PRELIMINARY ENGINEERING
 EAST ORANGE COUNTY FEEDER NO.2, PRELIMINARY ENGINEERING
 EAST ORANGE COUNTY FEEDER NO.2, PRELIMINARY ENGINEERING
 EAST ORANGE COUNTY FEEDER NO.2, PRELIMINARY ENGINEERING

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

EAST ORANGE COUNTY FEEDER NO.2, PRELIMINARY ENGINEERING
 EAST ORANGE COUNTY FEEDER NO.2, PRELIMINARY ENGINEERING
 EAST ORANGE COUNTY FEEDER NO.2, PRELIMINARY ENGINEERING
 EAST ORANGE COUNTY FEEDER NO.2, PRELIMINARY ENGINEERING
 EAST ORANGE COUNTY FEEDER NO.2, PRELIMINARY ENGINEERING
 EAST ORANGE COUNTY FEEDER NO.2, PRELIMINARY ENGINEERING
 LOWER FEEDER, SCHEDULE 80SC (SPEC NO. 480)
 LOWER FEEDER, SCHEDULE 80SC (SPEC NO. 480)
 LOWER FEEDER, SCHEDULE 79C (SPEC NO. 480)
 LOWER FEEDER, SCHEDULE 79C (SPEC NO. 480)
 LOWER FEEDER, SCHEDULE 80SC (SPEC NO. 480)
 LOWER FEEDER, SCHEDULE 79C (SPEC NO. 480)
 LOWER FEEDER, SCHEDULE 79C (SPEC NO. 480)
 LOWER FEEDER, SCHEDULE 79C (SPEC NO. 480)
 LOWER FEEDER, SCHEDULE 80SC, MISCELLANEOUS CREDITS (SPEC NO. 480)
 LOWER FEEDER, SCHEDULE 80SC, MISCELLANEOUS CREDITS (SPEC NO. 480)
 LOWER FEEDER, SCHEDULE 80SC, MISCELLANEOUS CREDITS (SPEC NO. 480)
 INTERCONNECT & PRESURE CONTROL STRUCTURE AT LOWER & OC FDR. (SPEC #524)
 COYOTE CREEK PRESSURE CONTROL STRUCTURE (SPEC NO. 524)
 SAN GABRIEL PRESSURE CONTROL STRUCTURE (SPEC NO. 566)
 MIDDLE FEEDER SCHEDULE 78SC (SPEC NO. 524)
 MIDDLE FEEDER SCHEDULE 76SC (SPEC NO. 524)
 MIDDLE FEEDER SCHEDULE 77SC (SPEC NO. 524)
 DISCOUNTS & LIQUIDATING DAMAGES ON E & A WB-1 (SPEC NO. 524)
 WEST COAST FEEDER, SCHEDULE 65SC (SPEC. NO. 560)
 WEST COAST FEEDER, SCHEDULE 65SC (SPEC. NO. 560)
 WEST COAST FEEDER, SCHEDULE 66SC (SPEC NO. 560)
 WEST COAST FEEDER, SCHEDULE 66SC (SPEC NO. 560)
 WEST COAST FEEDER, SCHEDULE 65SC (SPEC. NO. 560)
 WEST COAST FEEDER, SCHEDULE 65SC (SPEC. NO. 560)
 WEST COAST FEEDER, SCHEDULE 67SC (SPEC NO. 560)
 WEST COAST FEEDER, DISCOUNTS & MISCELLANEOUS CREDITS (SPEC NO. 560)
 WEST COAST FEEDER, DISCOUNTS & MISCELLANEOUS CREDITS (SPEC NO. 560)
 INTERCONNECT EAST ORANGE COUNTY FDR. NO.2 & ORG COUNTY FDR. (SPEC #681)
 SOUTH COAST FEEDER, SCH 68 PS AND 69PS (SPEC NO. 667)
 LOWER FEEDER- CONSTRUCTION OF BLOWOFF STRUCTURE AT STA. 80+40
 IMPROVEMENTS TO PUDDINGSTONE SPILLWAY ON UPPER FEEDER
 ORANGE COUNTY FEEDER EXTENSION- VALVE STRUCTURE
 ORANGE COUNTY FEEDER- REPLC. 20" SECTIONALIZING VALVE AT STA.1190+83
 ORANGE COUNTY FEEDER-CONSTRUCT BLOWOFF STRUCTURE AT STA. 251+00
 EAST ORANGE COUNTY FEEDER NO.2- MWD'S PORTION
 REPLACE EXISTING EQP. ON UPPER FDR FROM LK.MATHEWS TO EAGLE ROCK
 EAST ORANGE COUNTY FDR. DISSIPATOR STRUCTURE
 REPLACE FLOWMETER ON ORANGE COUNTY FEEDER- STA. 800+00
 REPLACE FLOWMETER ON ORANGE COUNTY FEEDER- STA. 800+00
 SECOND LOWER FEEDER- SCH. 107-DIEMER PLNT. TO C.CRK.CONTROL STRUCT.
 SECOND LOWER FEEDER-SCH.113 -W. OF LONG BEACH BLVD.TO ALAMEDA ST.
 SECOND LOWER FEEDER-SCH.112 -WOODRUFF TO W. OF LONG BEACH BLVD.
 SECOND LOWER FEEDER-CARBON CREEK PRESSURE CONTROL STRUCTURE
 SECOND LOWER FEEDER-CARBON CREEK PRESSURE CONTROL STRUCTURE
 SECOND LOWER FEEDER-SCH.112 -WOODRUFF TO W. OF LONG BEACH BLVD.
 SECOND LOWER FEEDER- SCH. 107-DIEMER PLNT. TO C.CRK.CONTROL STRUCT.
 SECOND LOWER FEEDER-SCH.113 -W. OF LONG BEACH BLVD.TO ALAMEDA ST.
 SECOND LOWER FEEDER- SCH. 108

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

SECOND LOWER FEEDER- SCH. 108
 OAK STREET PCS - VALVE REPLACEMENT
 GLENDORA TUNNEL
 FOOTHILL FDR.-SCH.269 & 270, PIPELINE ,HERMOSA AVE. TO CITRUS AVE.
 NEWHALL AND BALBOA INLET TUNNELS
 CASTAIC,SAUGUS, PLACERITA TUNNELS
 GLENDORA TUNNEL
 CASTAIC SIPHONS & PIPELINES(FOOTHILL FDR.) SCH. 201,203,204,206,207 & 209
 NO. PORTAL NEWHALL TUNNEL (CANCELLED)
 RAMONA PRESSURE CONTROL STRUCTURE
 RAMONA PRESSURE CONTROL STRUCTURE
 SECOND LOWER FEEDER- SCH. 114 & 115
 SEPULVEDA FEEDER- SEPULVEDA TUNNEL, SCH.126
 SEPULVEDA FEEDER-SCH.119,120,121& 122-BALBOA TRT.PLT. TO CHTSWRTH.ST
 CASTAIC,SAUGUS, PLACERITA TUNNELS
 CASTAIC SIPHONS & PIPELINES(FOOTHILL FDR.) SCH. 201,203,204,206,207 & 209
 NEWHALL AND BALBOA INLET TUNNELS
 GLENDORA TUNNEL
 MIDDLE FEEDER PROTECTION AT RUSH ST. AND WALNUT GROVE AVE.
 ORANGE COUNTY FEEDER-MODIFY SANTA ANA RELIEF STRUCTURE
 ENCASEMENT OF P.V. FEEDER- SAN BERNARDINO FREEWAY
 SANTA ANA CROSS FEEDER(FORMERLY EL TORO PIPELINE) CONNECTS OC AND EOC#2 FDRS
 WRITE OFF DEMOLISHED MASTER METER AT SANTA ANA CROSS FDR
 SECOND LOWER FEEDER- SCH. 114 & 115
 SECOND LOWER FEEDER- SCH. 110 & 111- STA. 830+00 TO 1050+00
 SECOND LOWER FEEDER- SCH. 110 & 111- STA. 830+00 TO 1050+00
 SEPULVEDA FEEDER- EL SEGUNDO BLVD. TO 220TH ST.,SCH. 133 AND 134
 FOOTHILL FDR.-SCH.271 & 272, PIPELINE CITRUS AVE. TO DWR. DEVIL CANYON
 FOOTHILL FEEDER RIALTO PIPELINE- SCH. 266 & 267
 SEPULVEDA FEEDER- SEPULVEDA TUNNEL TO SLAUSON AVE.
 SEPULVEDA FEEDER- CULVER CITY FDR. TO WEST COAST FDR.
 FOOTHILL FEEDER CONTROL STRUCTURE
 ORANGE COUNTY FEEDER- RELOCATION STA. 1278+00 TO 1292+00
 SEPULVEDA FEEDER- SCH. 123, 124 AND 125
 SEPULVEDA FEEDER- SCH. 123, 124 AND 125
 FOOTHILL FEEDER RIALTO PIPELINE- SCH 268 (CAMPUS AV. TO HERMOSA AV.)
 FOOTHILL FEEDER RIALTO PIPELINE- SCH 268 (CAMPUS AV. TO HERMOSA AV.)
 FOOTHILL FEEDER RIALTO PIPELINE- SCH 268 (CAMPUS AV. TO HERMOSA AV.)
 FOOTHILL FEEDER- SAN FERNANDO TUNNEL
 FOOTHILL FEEDER- SAN FERNANDO TUNNEL
 FOOTHILL FEEDER- SAN FERNANDO TUNNEL
 OLINDA PRESSURE CONTROL STRUCTURE- LOWER FEEDER
 OLINDA PRESSURE CONTROL STRUCTURE- LOWER FEEDER
 SEPULVEDA FEEDER- SCH. 123, 124 AND 125
 SEPULVEDA FEEDER- VENICE PRESSURE CONTROL STRUCTURE
 SEPULVEDA FEEDER- VENICE PRESSURE CONTROL STRUCTURE
 SEPULVEDA FEEDER- VENICE PRESSURE CONTROL STRUCTURE
 INLAND FOR SYSTEM- BOX SPRINGS FEEDER
 EAST VALLEY FEEDER (FORMERLY CALLEGUAS CONDUIT)
 GREG AVE. PCS-SURGE TANK, REPLACE INTERIOR LINING
 FOOTHILL FEEDER RIALTO PIPELINE- SCH. 264 &265(SAN DIMAS TO THMP.CRK)
 FOOTHILL FEEDERSYSTEM- SAN DIMAS FACILITIES, 2ND STAGE
 FOOTHILL FEEDERSYSTEM- SAN DIMAS FACILITIES, 2ND STAGE
 FOOTHILL FEEDER RIALTO PIPELINE- SCH. 264 &265(SAN DIMAS TO THMP.CRK)

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

FOOTHILL FEEDER RIALTO PIPELINE- SCH. 264 &265(SAN DIMAS TO THMP.CRK)
 FOOTHILL FEEDERSYSTEM- SAN DIMAS FACILITIES, 2ND STAGE
 SEPULVEDA FEEDER SYSTEM- CALABASAS FEEDER
 SEPULVEDA FEEDER SYSTEM- CALABASAS FEEDER
 SEPULVEDA FEEDER SYSTEM- CALABASAS FEEDER
 WEST VALLEY #1 FEEDER (FORMERLY CALLEGUAS CONDUIT)
 WEST VALLEY #1 FEEDER (FORMERLY CALLEGUAS CONDUIT)
 WEST VALLEY #1 FEEDER (FORMERLY CALLEGUAS CONDUIT)
 STRUCTURES, PHASE 2 -WEST VALLEY FEEDER NO. 1 (INTERIM CONST)
 WEST VALLEY FEEDER NO. 2- HAVENHURST ST. TO CHATSWORTH ST.
 WEST VALLEY FEEDER NO. 2- HAVENHURST ST. TO CHATSWORTH ST.
 WEST VALLEY FEEDER NO. 2- HAVENHURST ST. TO CHATSWORTH ST.
 YORBA LINDA FEEDER- TONNER TUNNELS NO.1 & 2
 YORBA LINDA FEEDER- TONNER TUNNELS NO.1 & 2
 YORBA LINDA FEEDER- SCH. 150 & 151
 YORBA LINDA FEEDER- SCH. 150 & 151
 YORBA LINDA FEEDER- SCH. 150 & 151
 SEPULVEDA FEEDER- SEPULVEDA CANYON CONTROL FACILITY
 SEPULVEDA FEEDER- SEPULVEDA CANYON CONTROL FACILITY
 SEPULVEDA FEEDER- SEPULVEDA CANYON CONTROL FACILITY
 WEST VALLEY FEEDER NO. 2- ALISO CREEK TO FULLBRIGHT PLACE
 WEST VALLEY FEEDER NO. 2- ALISO CREEK TO FULLBRIGHT PLACE
 WEST VALLEY FEEDER NO. 2- ALISO CREEK TO FULLBRIGHT PLACE
 WEST VALLEY FEEDER NO. 2- FULLBRIGHT TO SANTA SUSANA TUNNEL
 WEST VALLEY FEEDER NO. 2- FULLBRIGHT TO SANTA SUSANA TUNNEL
 WEST VALLEY FEEDER NO. 2- FULLBRIGHT TO SANTA SUSANA TUNNEL
 YORBA LINDA FEEDER- TONNER TUNNELS NO.1 & 2
 YORBA LINDA FEEDER- SCH. 150 & 151
 FOOTHILL FEEDER- SAN FERNANDO TUNNEL
 ORANGE COUNTY FEEDER-RELOCATION AT KIMBERLY STORM CHANNEL
 ORANGE COUNTY FEEDER- RELOCATION STA. 1278+00 TO 1292+00
 YORBA LINDA FEEDER- SCHEDULE 153,155 AND 156
 YORBA LINDA FEEDER- SCHEDULE 153,155 AND 156
 SEPULVEDA FDR, WEST VALLEY FDR. NO.1- MODIF.OF STRUCTURES PHASE II
 YORBA LINDA FEEDER- SCHEDULE 153,155 AND 156
 WEST ORANGE COUNTY FEEDER -RELOCATION AT STATION 456+00+
 LOWER FDR-RELOCATE IN IMPERIAL HIGHWAY, STA 2163+50
 LWR FDR-REL/PROT.IMPERIAL HWY. AT ATSF RLY.TRACK -SANTA FE SPRNGS
 PALOS VERDES FEEDER- RELOCATE HARBOR AND ARTESIA FREEWAYS
 PALOS VERDES FDR- WASHINGTON ST. PCS
 PALOS VERDES FDR- WASHINGTON ST. PCS
 OAK STREET PCS- VALVE REPLACEMENT
 SANTA MONICA FDR.-HOLLYWOOD TUNNEL REPL.16" PELTON SLEEVE VALVE
 GREG AVENUE PCS- SURGE TANK, REPLACE INTERIOR LINING
 SANTA MONICA FD.-MODIFY MANHOLE & BLOWOFF STRUCTION,STA. 4504-86
 UPPER FEEDER-MODIFY PUDDINGSTONE SPILLWAY, STA.1950+62.71
 WEST ORANGE COUNTY FDR. PCS-INSTALL 480V 3 PHASE ELEC. SERVICE
 ORANGE COUNTY FEEDER-RELOCATE PIPE,STA. 473+21-52 TO STA. 473+5-82
 ORANGE COUNTY FDR.-RELOCATE PRESSURE RELIEF STRUC.,STA 1772+72
 PALOS VERDES FEEDER-108TH ST. PCS,INSTALL ELECT. VALVE OPERATORS
 SANTA MONICA FEEDER-SUNSET RELIEF STRUCTURE-MODIFY STA. 433022
 2ND LWR FDR,W.ORANGE CNTY.FDR.INTERCONN.STRUCT.INSTALL REM.CTRL.
 UPPER FEEDER, MANHOLE MODIFICATION, STATION 1464+50
 UPPER FEEDER, MANHOLE MODIFICATION, STATION 1495+54

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

UPPER FEEDER, MANHOLE MODIFICATION, STATION 1757+86
 WEST ORANGE COUNTY FEEDER, RELOCATE STATIONS 132+16 TO 132+74
 BOX SPRINGS FEEDER-PROT STA 18+70 TO 19+30 & 21+05 TO 21+65
 EAST VALLEY FEEDER- STRUCTURE MODIFICATIONS
 EAST VALLEY FEEDER- STRUCTURE MODIFICATIONS
 EAST VALLEY FEEDER- STRUCTURE MODIFICATIONS
 NEWHALL TUNNEL-INSTALL LINER
 NEWHALL TUNNEL- LINER REPAIR
 NEWHALL TUNNEL-INSTALL LINER
 BOX SPRINGS FEEDER-PROT STA 18+70 TO 19+30 & 21+05 TO 21+66
 WASHINGTON PCS ON PV FDR- PLATFORMS/LADDERS
 SANTA ANA CROSS FEEDER-RELOCATE FLOWER STREET STORM DRAINAGE
 SANTA ANA CROSS FEEDER-RELOCATE FLOWER STREET STORM DRAINAGE
 ENLARGE FOOTHILL FEEDER CONTROL STRUCTURE
 CAPACITY FEE FROM CASTAIC LAKE WATER AGENCY FOR USE OF FOOTHILL FEEDER
 BOX SPRINGS FEEDER AND CONTROL STRUCTURE-PRESSURE CONTL STRUC
 BOX SPRINGS FEEDER AND CONTROL STRUCTURE-SCH 317
 BOX SPRINGS FEEDER AND CONTROL STRUCTURE-SCH 318
 MINOR CAPITAL PROJECTS FOR FY 1988/89 - SANTA ANA CROSS FEEDER
 UPPER FEEDER SANTA ANA RIVER BRIDGE-SEISMIC MODIFICATION
 MINOR CAPITAL PROJ - BOX SPRINGS FDR, INSTALL CHLOR DIFUSER
 CATHODIC PROTECTION SYSTEM EAST ORANGE COUNTY FEEDER NO. 2
 MINOR CAPITAL PROJ - FOOTHILL FDR, ELEC PWR BLOWOFF/CHLOR STRUC
 OLINDA PCS VIBRATION STUDY
 PALOS VERDES FEEDER-VALVE REHAB, DOMMINGUEZ CHNL
 PALOS VERDES FEEDER-CATHODIC PROTECTION SYSTE
 MINOR CAPITAL PROJECTS FOR FY 1988/89 - 2ND LOWER FEEDER
 SECOND LOWER FEEDER - STEEL LINER IN PORTION
 MINOR CAPITAL PROJECTS FOR FY 1988/89 - SEPULVEDA FEEDER
 MINOR CAPITAL PROJ - SEPULVEDA FDR, SCH 123/ CORR MITIGATION
 UPPER FEEDER-REPLACE MAGNETIC FLOWMETER
 UPPER FEEDER TO ACCOMMODATE SANTA FE RAILWAY EXPANSION
 UPPER FEEDER - CATHODIC PROTECTION (SCH 25)
 MINOR CAPITAL PROJECTS FOR FY 1988/89 - WEST VALLEY FEEDER (50/50)
 MINOR CAPITAL PROJECTS FOR FY 1988/89 - WEST VALLEY FEEDER (50/50)
 MINOR CAPITAL PROJECTS-YORBA LINDA FEEDER
 REFURBISH SERVICE CONNECTION - LOWER MIDDLE FEEDER
 SANTA MONICA FEEDER - REPAIR MANHOLE RISERS
 SANTA MONICA FEEDER - REPLACE CAST IRON FLANGES ON LOWER
 BURBANK LATERAL SCHEDULE 38SC
 BURBANK LATERAL EXTENSION
 BURBANK LATERAL EXTENSION
 COMPTON LATERAL SCHEDULE 28SC
 COMPTON LATERAL EXTENSION
 COMPTON LATERAL EXTENSION
 LONG BEACH LATERAL SCHEDULE 26SC (SPEC NO. 293)
 LONG BEACH LATERAL EXTENSION SCHEDULE 41P (SPEC NO. 342)
 TORRANCE LATERAL SCHEDULE 27SC
 SAN MARINO LATERAL: STA. 0+00 TO 54+10, SCH. 45SC (SPEC NO. 384) (SEE ANNUAL REPORT)
 VICTORIA STREET LATERAL: STA. 0+00 TO 147+62 (SCH. 46P)
 WEST BASIN LATERAL: STA.4+95 TO 355+19 (SCH.43P)
 WEST BASIN LATERAL: STA.4+95 TO 355+19 (SCH.43P)
 EAGLE ROCK CONNECTION AND LATERAL SCHEDULE 12P (SPEC NO. 395)
 SANTIAGO LATERAL: STA. 0+00 TO 112+90 & SPILLWAY DISCHG. LINE, SCH 90SC (SPEC 461)

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

SANTIAGO LATERAL: STA. 112+90 TO 451+40,, SCH. 91P (SPEC NO. 477)
 MINOR CAPITAL PROJECTS FOR FY 1988/89 - INGLEWOOD LATERAL
 MINOR CAPITAL PROJECTS FOR FY 1989/90 - LONG BEACH LATERAL
 MINOR CAPITAL PROJECTS FOR FY 1989/90 - SANTIAGO LATERAL CONTROL
 LOW LEVEL TEHACHAPI TUNNEL- FEASIBILITY STUDY
 TESTING PROGRAM AT YORBA LINDA TEST FACILITY
 DISTRIBUTION SYSTEM - METRO GREENLINE ELECTROLYSIS MONITORING
 DISTRIBUTION SYSTEM-ELECTROLYSIS MONITORING STATIONS
 DISTRIBUTION SYS - TYPE 'M' METER REPLACEMENT
 DISTRIBUTION SYSTEM-REPLACE FLOWMETERS
 DISTRIBUTION SYSTEM-REPLACE MECHICAL METERS
 DISTRIBUTION SYS - TYPE 'M' METER REPLACEMENT
 WEST VALLEY FACILITIES STUDY
 EQUIPMENT - 1ST SAN DIEGO AQUEDUCT
 GATE NO 3 - 1ST SAN DIEGO AQUEDUCT
 SECOND SAN DIEGO AQUEDUCT:6 13' PIPE SIPHONS-STA. BET.244+04-979+32 (SCH SDXP)
 SECOND SAN DIEGO AQUEDUCT, SCHEDULE SD9P (SPEC. NO. 537)
 SECOND SAN DIEGO AQUEDUCT, SCHEDULE SD8P (SPEC. NO. 537)
 SECOND SAN DIEGO AQUEDUCT, SCHEDULE SD10P (SPEC. NO. 537)
 SECOND SAN DIEGO AQUEDUCT3, SCHEDULE SD11SC (SPEC. NO. 537)
 1ST BBL 1ST SAN DIEGO AQUEDUCT CAPITAL OBLIGATION
 2ND BBL 1ST SAN DIEGO AQUEDUCT CAPITAL OBLIGATION
 2ND BBL 1ST SAN DIEGO AQUEDUCT INTEREST OBLIGATION
 REPLACEMENT OF RETIRED EQUIPMENT ON FIRST SAN DIEGO AQUEDUCT
 FIRST SAN DIEGO AQUEDUCT- REPLACE SLIDE GATES
 LA VERNE PIPELINE
 LA VERNE PIPELINE
 Station 1820+50 to San Diego County Line (SCH SD15SG)
 Station 1553+50 to 1820+50 (SCH SD14SG)
 Station 1331+00 to 1593+14 (SDH SD13PS)
 Station 1094+93 to 1331+00 (SCH SD12PS)
 Canal Outlet and Screening Structure (SCH 5)
 Canal Outlet and Screening Structure (SCH 5)
 LAKE VIEW PIPELINE- SCH. 310,312 AND 313
 INLAND FEEDER AULD VALLEY PRESSURE CONTROL STRUCTURE
 PERRIS CONTROL FACIL.& CON.TO STATE DWR FAC.
 PERRIS CONTROL FACIL.& CON.TO STATE DWR FAC.
 PERRIS CONTROL FACIL.& CON.TO STATE DWR FAC.
 SAN DIEGO PIPELINE NO. 2 AND 3 -MODIFY INTERCONNECTION
 LAKE PERRIS PUMPBACK FACILITY
 RIALTO PIPELINE- DELIVERY FACILITIES FOR CYCLIC STORAGE
 SAN DIEGO PIPE NO.5-SCH SD-16, SKINNER TO TEMECULA (SPEC NO. 1065)
 LAKE VIEW PIPELINE-INSTALL CATHODIC PROTECTION-STATION 2210+00
 LAKE PERRIS BY PASS PIPELINE- CLAIMS
 SAN DIEGO PIPE NO.5-SCH SD-17, TEMECULA TO DELIVERY POINT (SPEC NO. 1066)
 AULD VALLEY PIPELINE
 AULD VALLEY PIPELINE
 LAKE PERRIS BY PASS PIPELINE
 SAN DIEGO CANAL MODIFICATION- 5 ADDITIONAL SIPHONS
 RIALTO PPLN- INSTALL 2 CATHDIC PROTECTION SYSTEM
 RIALTO PPLN- INSTALL 2 CATHDIC PROTECTION SYSTEM
 SAN DIEGO CANAL ENLARGEMENT PHASE 2
 SAN DIEGO CANAL ENLARGEMENT PHASE 2
 SAN DIEGO CANAL ENLARGEMENT PHASE 2

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

| | | |
|---|-----------|-------------------|
| STRUCTURE MODIFICATIONS TO SAN DIEGO PIPELINE'S # 1 AND 2 | | |
| INSPECTION OF THE ALLEN-McCOLLOCH PIPELINE | | |
| AMP - CURRENT YEAR | | |
| ETIWANDA PIPELINE - RIALTO PIPELINE TO UPPER FEEDER | | |
| ETIWANDA PIPELINE CATHODIC PROTECTION | | |
| MINOR CAPITAL PROJECTS- LAKEVIEW PIPELINE | | |
| RIALTO PIPELINE AT DEVIL'S CANYON | | |
| MINOR CAPITAL PROJ - SD PIPEL #4 &5-CORR CNTRL SYS | | |
| SKINNER BYPASS PIPELINE CHLORINATION SYSTEM | | |
| LAKE SKINNER -BYPASS PIPELINE #2 AND #3 | | |
| LAKE SKINNER - CHLORINATION SYSTEM OUTLET TOWER BYPASS PIPELINE | | |
| ALLEN-McCULLOCH PIPELINE | | |
| LAKE MATHEWS HEADWORKS- REPLACE TWO VALVES (WO #3543) | | |
| SERVICE CONNECTION P-1-UPPER FEEDER (ORG CONST) | | |
| UPPER FEEDER- SERVICE CONNECTION P-1 | | |
| JENSEN PLANT- SERVICE CONNECTION - LA 25 | | |
| SANTA MONICA FEEDER-GLENDALE SERVICE CONNECTION G-2 RECON T/2 | | |
| SANTA MONICA FEEDER-GLENDALE SERVICE CONNECTION G-2 RECON T/2 | | |
| SANTA MONICA FEEDER- BETTERMENT OF SERVICE CONNECTION BH-1 | | |
| RECONSTRUCT ORANGE COUNTY FEEDER SERVICE CONNECTION PM-1 | | |
| METER- SERVICE CONNECTION PM - 17 UPPER FEEDER (INTERIM CONST) | | |
| REPLACE FLOWMETERS IN SERVICE CONNECTIONS | | |
| REPLACE FLOWMETERS IN SERVICE CONNECTIONS | | |
| REPLACE FLOWMETERS IN SERVICE CONNECTIONS | | |
| VALVE,24" GATE -SERVICE CONNECTION - UPPER FEEDER (INTERIM CONST) | | |
| MECHANICAL / VENTURI TYPE METERS- DISTR SYSTEM (INTERIM CONST) | | |
| PALOS VERDES FDR- LA CITY MODIFICATION OF SERVICE CONNECTION | | |
| MILLS FILTR. PLANT- SERVICE CONNECTION WR-24A TURNOUT STRUCTURE | | |
| ORANGE COUNTY FDR.SERV.CONN.A-1,RELOC.METER CABINET & ELEC.SERV. | | |
| SERVICE CONN. DW-CV-4,WHITE WATER SIPHON (2ND BARREL)STA. 9698+00 | | |
| SERVICE CONN. DW-CV-4, VALVE STRUCTURE,WATER SIPHON, STA. 9698+00 | | |
| SERVICE CONN. DW-CV-4, VALVE STRUCTURE,WATER SIPHON, STA. 9698+00 | | |
| MWD SHARE FOR DESIGN AND CONSTRUCTION OF SC. LA-35 | | |
| ORANGE COUNTY FEEDER - SVC CONN SA-3, REPLACE MECHICAL METER | | |
| Sub-Total Distribution Facilities Benefits | \$ | 48,043,127 |
| Total Conveyance and Distribution Facilities Benefits | \$ | 74,420,344 |

TABLE 4
FISCAL YEAR 2001-02
ESTIMATED READINESS-TO-SERVE CHARGE REVENUE

| Member Agency | Amount |
|---|----------------------|
| Anaheim | \$ 989,416 |
| Beverly Hills | 684,379 |
| Burbank | 873,811 |
| Calleguas MWD | 4,645,852 |
| Central Basin MWD | 3,651,517 |
| Coastal MWD | 2,113,160 |
| Compton | 196,995 |
| Eastern MWD | 2,551,149 |
| Foothill MWD | 421,014 |
| Fullerton | 394,360 |
| Glendale | 1,399,113 |
| Inland Empire Utilities Agency | 1,817,588 |
| Las Virgenes MWD | 952,662 |
| Long Beach | 2,249,655 |
| Los Angeles | 8,684,696 |
| Municipal Water District of Orange County | 9,391,445 |
| Pasadena | 783,960 |
| San Diego County Water Authority | 21,549,596 |
| San Fernando | 5,606 |
| San Marino | 70,178 |
| Santa Ana | 668,090 |
| Santa Monica | 264,846 |
| Three Valleys MWD | 3,081,422 |
| Torrance | 1,074,137 |
| Upper San Gabriel Valley MWD | 378,812 |
| West Basin MWD | 8,099,529 |
| Western | 3,007,014 |
| Total | \$ 80,000,000 |

TABLE 5
FISCAL YEAR 2001-02
ESTIMATED STANDBY CHARGE REVENUE

| Member Agencies | Total Parcel Charge | Number Of Parcels Or Acres | Gross Revenues (Dollars) ¹ |
|---|------------------------------------|---|--|
| Anaheim | \$8.55 | 68,284 | \$583,825 |
| Beverly Hills | \$0.00 | - | \$0 |
| Burbank | \$14.20 | 28,099 | \$399,012 |
| Calleguas MWD | \$9.58 | 245,623 | \$2,353,065 |
| Central Basin MWD | \$10.44 | 339,385 | \$3,543,178 |
| Coastal MWD | \$11.60 | 86,149 | \$999,327 |
| Compton | \$8.92 | 18,106 | \$161,508 |
| Eastern MWD | \$6.94 | 373,422 | \$2,591,550 |
| Foothill MWD | \$10.28 | 30,335 | \$311,848 |
| Fullerton | \$10.71 | 33,422 | \$357,945 |
| Glendale | \$12.23 | 44,797 | \$547,862 |
| Inland Empire Utilities Agency | \$7.59 | 225,759 | \$1,713,508 |
| Las Virgenes MWD | \$8.03 | 63,383 | \$508,964 |
| Long Beach | \$12.16 | 88,322 | \$1,074,000 |
| Los Angeles | \$0.00 | - | \$0 |
| Municipal Water District of Orange County | \$10.09 | 615,902 | \$6,214,452 |
| Pasadena | \$11.73 | 36,695 | \$430,433 |
| San Diego County Water Authority | \$11.51 | 1,068,038 | \$12,293,114 |
| San Fernando | \$7.87 | 5,142 | \$40,469 |
| San Marino | \$8.24 | 4,974 | \$40,985 |
| Santa Ana | \$7.88 | 53,671 | \$422,930 |
| Santa Monica | \$0.00 | - | \$0 |
| Three Valleys MWD | \$12.21 | 151,513 | \$1,849,973 |
| Torrance | \$12.23 | 38,644 | \$472,616 |
| Upper San Gabriel Valley MWD | \$9.27 | 209,114 | \$1,938,485 |
| West Basin MWD | \$0.00 | - | \$0 |
| Western © MWD | \$9.23 | 356,966 | \$3,294,792 |
| MWD Total | | 4,185,744 | \$42,143,840 |
| [1] Estimates per FY2000 actual receipts | | | |

- Notes:
- a. The revenues are only an estimate. Actual revenue collected could be less than projected due to tax payment delinquencies.
 - b. Based on estimates provided 11/19/99 by Reiter-Lowry Consultants
 - c. Includes \$270 in revenue from parcels in Orange County

Table 6

Riverside County:

| Annexation | Parcel Number | Acres | Proposed Standby Charge (FY 01-02) |
|-----------------|---------------|--------|---------------------------------------|
| 39th Fringe | 359-210-026-4 | 13.73 | 126.72 |
| | 359-210-027-5 | 34.31 | 316.68 |
| 40th Fringe | 949-020-003 | 15.95 | 142.22 |
| | 949-020-004 | 23.80 | 219.67 |
| | 949-020-006 | 15.00 | 138.45 |
| 66th Fringe (1) | 911-060-010 | 5.60 | 38.86 |
| | 911-060-011 | 33.09 | 229.65 |
| | 911-080-001 | 0.75 | 6.94 |
| | 911-080-002 | 0.25 | 6.94 |
| | 911-080-003 | 1.75 | 12.15 |
| | 911-080-004 | 0.25 | 6.94 |
| | 911-080-005 | 2.25 | 15.62 |
| | 911-080-006 | 1.25 | 8.68 |
| | 911-080-007 | 0.25 | 6.94 |
| | 911-080-008 | 0.25 | 6.94 |
| | 911-080-009 | 12.24 | 84.95 |
| | 911-090-001 | 3.25 | 22.56 |
| | 911-090-002 | 0.50 | 6.94 |
| | 911-090-003 | 0.63 | 6.94 |
| | 911-090-004 | 1.25 | 8.68 |
| | 911-090-005 | 1.25 | 8.68 |
| | 911-090-006 | 0.25 | 6.94 |
| | 911-090-007 | 9.87 | 68.50 |
| | 911-090-008 | 1.00 | 6.94 |
| | 911-090-009 | 0.50 | 6.94 |
| | 911-090-010 | 0.50 | 6.94 |
| | 911-090-011 | 1.00 | 6.94 |
| | 911-190-006 | 0.06 | 6.94 |
| | 911-190-007 | 0.12 | 6.94 |
| | 911-190-009 | 0.22 | 6.94 |
| | 911-190-010 | 0.03 | 6.94 |
| | 911-190-011 | 0.15 | 6.94 |
| | 911-190-012 | 0.03 | 6.94 |
| | 911-190-013 | 0.22 | 6.94 |
| | 911-190-014 | 0.17 | 6.94 |
| | 911-190-015 | 0.17 | 6.94 |
| | 911-190-018 | 0.21 | 6.94 |
| | 911-190-019 | 0.18 | 6.94 |
| 911-190-021 | 0.22 | 6.94 | |
| 911-190-022 | 1.06 | 7.36 | |
| 911-720-009 | 2.08 | 14.44 | |
| 911-720-010 | 30.00 | 208.20 | |
| 911-720-011 | 1.25 | 8.68 | |
| 911-720-012 | 0.63 | 6.94 | |
| 911-720-013 | 0.62 | 6.94 | |

| | | | |
|-----------------|-------------------|-------|--------|
| | 911-720-014 | 7.50 | 52.05 |
| | 911-720-015 | 23.63 | 163.99 |
| 67th Fringe (1) | 910-220-001 | 8.81 | 61.14 |
| 68th Fringe (1) | 359-210-010 | 18.53 | 128.60 |
| | 359-210-011 | 19.24 | 133.53 |
| | 359-210-013 | 19.21 | 133.32 |
| | 359-540-001 | 18.68 | 129.64 |
| | 359-540-002 | 19.16 | 132.97 |
| | 359-540-003 | 19.28 | 133.80 |
| | 359-540-004 | 19.06 | 132.27 |
| | 359-540-009 | 19.90 | 138.11 |
| | 359-540-010 | 18.36 | 127.42 |
| | 359-540-014 | 19.77 | 137.20 |
| | 359-540-015 | 18.71 | 129.85 |
| Murrieta Window | No Standby Charge | | |

Ventura County:

| Annexation | Parcel Number | Acres | Proposed Standby Charge (FY 01-02) |
|------------------|-------------------|--------|---------------------------------------|
| Calleguas 57 | 216-0-192-085 | 0.62 | 9.58 |
| | 216-0-195-015 | 6.39 | 61.21 |
| | 231-0-040-275 | 14.96 | 143.32 |
| | 231-0-080-050 | 4.26 | 40.81 |
| Calleguas 58 | 215-0-070-015 | 0.27 | 9.58 |
| | 215-0-070-050 | 0.50 | 9.58 |
| | 215-0-070-060 | 21.15 | 202.62 |
| | 215-0-070-080 | 53.31 | 510.71 |
| Calleguas 59 (1) | 183-0-070-090 | 107.00 | 1025.06 |
| Calleguas 63 (1) | 138-0-190-215 | 2.05 | 19.64 |
| | 138-0-190-365 | 31.59 | 302.63 |
| | 138-0-190-405 | 73.42 | 703.36 |
| | 138-0-190-415 | 0.42 | 9.58 |
| | 138-0-190-420 | 75.70 | 725.21 |
| | 138-0-190-430 | 3.65 | 34.97 |
| | 138-0-190-445 | 3.48 | 33.34 |
| | 179-0-070-100 | 62.52 | 598.94 |
| Calleguas 64 | Cancelled | | |
| Calleguas 65 | No Standby Charge | | |
| Calleguas 66 | 183-0-100-220 | 6.59 | 63.13 |
| Calleguas 67 (1) | 183-0-010-335 | 11.23 | 107.58 |
| | 183-0-010-385 | 67.44 | 646.08 |

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA
RESOLUTION _____

**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;

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, the readiness-to-serve charge is a charge imposed by Metropolitan upon its member agencies, and is not a fee or charge imposed upon real property or upon persons as an incident of property ownership;

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 (the “Act”), as an availability of service charge pursuant to Section 134.5 of the 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 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 non-tax funded 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 revenue bonds 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 non-tax funded debt service costs, 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 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's service area;

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 opted in prior fiscal years 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 is willing to comply with the requests of member public agencies opting to have Metropolitan continue to levy water standby charges within their respective territories, on the terms and subject to the conditions contained herein;

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; and

WHEREAS, the readiness-to-serve charge applicable to each member public agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer's Report dated December 2000, on file with Metropolitan, a copy of which is attached as Attachment 1;

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 Metropolitan's member public agencies.

Section 2. That said readiness-to-serve charge should be in an amount sufficient to provide for payment of the non-tax funded debt service, for capital expenditures for projects needed to meet the reliability and quality needs of existing users of Metropolitan's water; provided, however, that the amount of the readiness-to-serve charge shall be set by the Board

bearing in mind the rate management goals of Phase I of the Rate Refinement Process adopted by the Board on July 9, 1996.

Section 3. That such readiness-to-serve charge for July 1, 2000 through and including June 30, 2001 shall be a water rate equal to \$52.88 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 three fiscal year period ending June 30, 1996. The aggregate readiness-to-serve charge for the period from July 1, 2001 through and including June 30, 2002 shall be \$80,000,000.

Section 4. That in the alternative, and without duplication, the readiness-to-serve charge for the period from July 1, 2001 through and including June 30, 2002 shall be a capital facilities fee in the aggregate amount of \$80,000,000, 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, dated December 2000 (the "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 Act.

Section 7. That notice is hereby given to the public and to each member public agency of Metropolitan of the intention of Metropolitan's Board to consider and take action at its regular meeting to be held March 13, 2001 (or such other date as the Board shall hold its regular meeting), on the General Manager's recommendation to impose a readiness-to-serve charge for fiscal year 2001-2002.

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 three fiscal year period ending June 30, 1996. Long-term seasonal storage service, cyclic storage, and direct groundwater replenishment deliveries and water taken under the one-time drought storage agreement, Cooperative Storage Program through April 12, 1994, 1993 Demonstration Program and cooperative storage purchases paid for in fiscal year 1995-96 will be subtracted from the water sales calculation. 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). Metropolitan sales of reclaimed water under the Local Projects Program and groundwater under the Groundwater Recovery Program are not included in the readiness-to-serve charge water sales calculation. The allocation of the readiness-to-serve charge among member agencies is based on sales data recorded by Metropolitan and shall be conclusive in the absence of manifest error.

The proposed amount of the readiness-to-serve charge to be imposed on each member agency for fiscal year 2001-2002 is as follows:

PROPOSED 2001-2002 READINESS-TO-SERVE CHARGE

| Member Agency | acre-feet | RTS Share | Total RTS Charge |
|------------------------------|-----------|-----------|------------------|
| Anaheim | 18,709 | 1.24% | \$ 989,416 |
| Beverly Hills | 12,941 | 0.86 | 684,379 |
| Burbank | 16,523 | 1.09 | 873,811 |
| Calleguas | 87,849 | 5.81 | 4,645,852 |
| Central Basin MWD | 69,047 | 4.56 | 3,651,517 |
| Coastal | 39,958 | 2.64 | 2,113,160 |
| Compton | 3,725 | 0.25 | 196,995 |
| Eastern | 48,240 | 3.19 | 2,551,149 |
| Foothill | 7,961 | 0.53 | 421,014 |
| Fullerton | 7,457 | 0.49 | 394,360 |
| Glendale | 26,456 | 1.75 | 1,399,113 |
| Inland Empire Utility Agency | 34,369 | 2.27 | 1,817,588 |
| Las Virgenes MWD | 18,014 | 1.19 | 952,662 |
| Long Beach | 42,539 | 2.81 | 2,249,655 |
| Los Angeles | 164,220 | 10.86 | 8,684,696 |
| MWDOC | 177,584 | 11.74 | 9,391,445 |
| Pasadena | 14,824 | 0.98 | 783,960 |
| San Diego CWA | 407,484 | 26.94 | 21,549,596 |
| San Fernando | 106 | 0.01 | 5,606 |
| San Marino | 1,327 | 0.09 | 70,178 |
| Santa Ana | 12,633 | 0.84 | 668,090 |
| Santa Monica | 5,008 | 0.33 | 264,846 |
| Three Valleys MWD | 58,267 | 3.85 | 3,081,422 |
| Torrance | 20,311 | 1.34 | 1,074,137 |
| Upper San Gabriel | 7,163 | 0.47 | 378,812 |
| West Basin MWD | 153,155 | 10.12 | 8,099,529 |
| Western MWD | 56,860 | 3.76 | 3,007,014 |
| MWD | 1,512,730 | 100.00% | \$ 80,000,000 |

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 rates imposed pursuant to Section 3 above.

Section 10. That it is the intent of the Board that:

(a) For fiscal years 1997-98 through 2000-01, a member public agency's readiness-to-serve allocation will be based on the average of Metropolitan water deliveries eligible to be included in the readiness-to-serve charge calculation to each member public agency (as described in Section 8 above and below in this Section 10) during fiscal years 1993-94, 1994-95 and 1995-96. This intent supersedes any inconsistent intent previously expressed by the Board.

(b) Long-term seasonal storage service, cyclic storage, Cooperative Storage Program, direct groundwater replenishment 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 seasonal storage service, cyclic storage, Cooperative Storage Program, direct groundwater replenishment and contractual long-term storage water deliveries are used within seven years, including the year in which the water was delivered. Member public agencies overlying a common groundwater basin shall be allowed to account for their purchases as a single, common purchaser; provided that member public agencies which elect to pool their purchases for purposes of the readiness-to-serve charge must also pool their purchases for purposes of the new demand charge calculation..

(c) Notwithstanding the foregoing, in no event shall any member agency's readiness-to-serve charge be based on less than the following minimum sales (in acre feet) for each member public agency:

PROPOSED 2001-02 ACRE FOOT
MEMBER AGENCY MINIMUM SALES

| MEMBER AGENCY | MINIMUM RTS (AF) | RTS % |
|------------------------------|---------------------|----------------|
| City of Anaheim | 8,386.9 | 1.09 |
| City of Beverly Hills | 6,393.2 | 0.83 |
| City of Burbank | 9,790.4 | 1.27 |
| Calleguas MWD | 43,534.3 | 5.67 |
| Central Basin MWD | 32,130.0 | 4.18 |
| Coastal MWD | 19,457.5 | 2.53 |
| City of Compton | 2,512.9 | 0.33 |
| Eastern MWD | 24,810.5 | 3.23 |
| Foothill MWD | 3,920.4 | 0.51 |
| City of Fullerton | 3,834.4 | 0.50 |
| City of Glendale | 13,228.0 | 1.72 |
| Inland Empire Utility Agency | 15,200.9 | 1.98 |
| Las Virgenes MWD | 8,796.2 | 1.15 |
| City of Long Beach | 18,902.9 | 2.46 |
| City of Los Angeles | 113,942.2 | 14.83 |
| MWD of Orange County | 79,695.8 | 10.38 |
| City of Pasadena | 5,083.2 | 0.66 |
| San Diego CWA | 203,910.3 | 26.55 |
| City of San Fernando | 105.4 | 0.01 |
| City of San Marino | 663.5 | 0.09 |
| City of Santa Ana | 6,072.6 | 0.79 |
| City of Santa Monica | 2,508.6 | 0.33 |
| Three Valleys MWD | 28,908.1 | 3.76 |
| City of Torrance | 10,155.7 | 1.32 |
| Upper San Gabriel VA | 4,462.6 | 0.58 |
| West Basin MWD | 74,669.7 | 9.72 |
| Western MWD of Riverside | <u>27,033.7</u> | <u>3.52</u> |
| ALL MEMBER AGENCIES | 768,109.6 | 100.00% |

(e) In no event will deliveries of Metropolitan water which are in excess of a member agency's new demand charge base (as described in Resolution 8465, adopted by this Board on January 10, 1995) also be used in calculating such member agency's readiness-to-serve charge allocation.

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 as Attachment 1 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 18 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 monthly, quarterly or semiannually as agreed upon by Metropolitan and the member agency.

Section 13. That such readiness-to-serve charge may, at the request of any member agency which elected to utilize Metropolitan's standby charge as a mechanism for collecting its readiness-to-serve charge obligation in fiscal 1996-97, be collected by reimposition of the Metropolitan water standby charge at the same rates imposed in fiscal 1996-97 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 amount of Metropolitan's 1995-96 standby charge for the member public agency. The 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 to this Resolution which was prepared under the supervision of a registered professional engineer certified by the State of California.

Section 15. The proposed water standby charge includes the reimposition of water standby charges on parcels with respect to which water standby charges have been imposed in fiscal year 1996-97 and annually thereafter ("pre-1997 standby charges") and the levy of standby charges on parcels annexed to Metropolitan and to an electing member agency after January 1997 ("post-1997 standby charges"). Only land within each electing member public agency with respect to which standby charges were imposed in fiscal 1996-97 will be subject to the reimposition of pre-1997 standby charges for fiscal 2000-2001. Only land annexed to Metropolitan and to an electing member public agency with respect to which standby charges were approved in accordance with the procedures of Article XIID, Section 4 of the California Constitution will be subject to the imposition or reimposition, as the case may be, of post-1997 standby charges for fiscal year 2001-2002. The Engineer's Report lists parcels annexed or to be annexed to Metropolitan and to electing members during the 2000-2001 fiscal year, such parcels being subject to the post-1997 standby charge. Parcels in the Engineer's Report which are not listed as being subject to post-1997 standby charges shall be subject to pre-1997 standby charges. These parcels are identified in a listing filed with the Executive Secretary.

Section 16. That the amount of the proposed standby charge, per parcel or per acre, applicable to eligible land within each electing member public agency as allocated in the Engineer's Report shall be as follows:

Proposed 2001-2002 Standby Charge

| <u>Member Agency</u> | <u>Amount</u> |
|------------------------------|---------------|
| Anaheim | \$ 8.55 |
| Beverly Hills | -0- |
| Burbank | 14.20 |
| Calleguas MWD | 9.58 |
| Central Basin MWD | 10.44 |
| Coastal MWD | 11.60 |
| Compton | 8.92 |
| Eastern MWD | 6.94 |
| Foothill MWD | 10.28 |
| Fullerton | 10.71 |
| Glendale | 12.23 |
| Inland Empire Utility Agency | 7.59 |
| Las Virgenes MWD | 8.03 |
| Long Beach | 12.16 |
| Los Angeles | -0- |
| 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 | -0- |
| Three Valleys MWD | 12.21 |
| Torrance | 12.23 |
| Upper San Gabriel Valley MWD | 9.27 |
| West Basin MWD | -0- |
| Western MWD of Riverside Co. | 9.23 |

Section 17. That with respect to annexation standby charges, the Engineer's Report separates the special benefits from the general benefits and identifies each of the parcels on which a special benefit is conferred. No annexation standby charge on any parcel exceeds the reasonable cost of the proportional special benefit conferred on that parcel, as shown in the Engineer's Report.

Section 18. 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, any 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 fifty days after Metropolitan issues an invoice for remaining readiness-to-serve charges to such member agency, as provided in Administrative Code Section 4507.

Section 19. 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, 2001 (or such other date as the Board shall hold its regular meeting), on the General Manager's recommendation to impose a readiness-to-serve charge for fiscal year 2001-2002 as provided in this Resolution. The Budget and Finance Committee of Metropolitan's Board will set a public hearing at which interested parties may present their views regarding the proposed readiness-to-serve charge prior to its regular March meeting pursuant to Section 4304(e) of Metropolitan's Administrative Code. Such hearing shall also satisfy the requirements of Section 4304(k) of the Administrative Code.

Section 20. 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 13, 2001 (on such other date as the Board shall hold it regular in such month), on the General Manager's recommendation to impose a water standby charge for fiscal year 2001-2002 under authority of Section 134.5 of the Act on land within Metropolitan at the rates, per acre of land, or per parcel of land less than an acre, specified in Section 16 above. Any such water standby charge will be imposed as a means of collecting the readiness-to-serve charge.

Section 21. That the Board will meet in regular session at its meeting on April 10, 2001 (or such other date as the Board shall hold its regular meeting), 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 10, 2001, 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.

Section 22. Under the approval procedures of the USCPA, which apply to the reimposition of pre-1997 standby charges, 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 pre-1997 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 pre-1997 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 Metropolitan.

Section 23. That the following exemption procedures apply with respect to pre-1997 standby charges:

(a) It is the intent of the Board that the following lands shall be exempt from the pre-1997 water standby charge: (1) 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; (2) 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; (3) lands not included in (1) or (2) 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 (4) 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. However, no exemption from the pre-1997 water standby charge shall reduce the applicable member agency's readiness-to-serve charge obligation. The General Manager may develop and implement additional criteria and guidelines for exemptions in order to effectuate the intent expressed herein.

(b) 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 (2) and (3) of Section 23(a) above. All applications for such exemption and documents supporting such claims must be received by Metropolitan in writing on or before December 31, 2001. 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.

(c) The Budget and Finance Committee of Metropolitan's Board of Directors shall hear appeals from determinations by the General Manager to deny or qualify an application for exemption from the pre-1997 water standby charge. The Budget and Finance 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 24. That no failure to collect, and no delay in collecting, any standby charges shall 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 other outstanding obligations of such member agency to Metropolitan.

Section 25. That the readiness-to-serve charge is imposed by Metropolitan as a rate, fee or charge on its member agencies, and is not a fee or charge imposed upon real property or upon persons as incidents of property ownership, and the water standby charge is imposed within the respective territories of electing member agencies as a mechanism for collection of the readiness-to-serve charge. In the event that the water standby charge, or any portion thereof, is determined to be an unauthorized or invalid fee, charge or assessment 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 water standby 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 water standby charge, then no further standby charge shall be collected within any member agency and each member agency which has requested imposition of Metropolitan water standby charges as a means of collecting its readiness-to-serve charge obligation shall pay such readiness-to-serve charge obligation in full, as if imposition of such water standby charges had never been sought.

Section 26. 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 27. 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 28. 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 29. 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 30. 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 9, 2001.

Executive Secretary
The Metropolitan Water District
of Southern California

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION _____

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
GIVING NOTICE OF INTENTION TO IMPOSE
AND SUSPEND COLLECTION OF
NEW DEMAND CHARGE FOR 2001-2002**

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, the new demand charge is a charge imposed by Metropolitan upon its member agencies, and is not a fee or charge imposed upon real property or upon persons as an incident of property ownership;

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 (the “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 Act;

WHEREAS, under authority of Sections 133 and 134 of the 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 the payment of other costs, including payment of the interest and principal of Metropolitan’s non-tax funded 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 non-tax funded debt service of expenditures for projects needed to satisfy anticipated new demands on Metropolitan, as shown in the Nexus Study dated March 1996, prepared by Metropolitan in support of the new demand charge;

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;

WHEREAS, Metropolitan and its member agencies have engaged in a collaborative process (the "Rate Refinement Process") designed to further refine Metropolitan's rate structure and revenue sources;

WHEREAS, the Rate Refinement Process Phase I recommendations were approved by the Board on July 9, 1996; and

WHEREAS, such Phase I recommendations included suspension of collection of the new demand charge while other alternatives are being pursued, with collection to resume if normal system demands exceed 2.2 million acre-feet per year and no alternative has been implemented, as further provided in this Resolution.

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 imposed on Metropolitan's member public agencies; provided, however, that collection of such charge shall be suspended until the occurrence of the events described in Section 15 below.

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 2001-2002 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 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, 2001 (or such other date designated by the Board for its regular meeting in such month), 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 2001-02. The Budget and Finance Committee of Metropolitan's Board will set a public hearing at which interested parties may present their views regarding the proposed new demand charge prior to its regular March meeting pursuant to Section 4304(c) of Metropolitan's Administrative Code.

Section 8. That the new demand charge shall be incurred by a member public agency when the average of the member public agency's purchases (in acre feet) from Metropolitan in the four most recent years, including fiscal year 2000-2001, after adjustment for long-term storage water, exceed such member agency's new demand charge base as shown in Section 9 hereof. 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, direct groundwater replenishment 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 seasonal storage service and direct groundwater replenishment are used within seven years, including the year in which the water was delivered. Cyclic storage, Cooperative Storage Program and contractual long-term storage water deliveries are considered used in the year the water is sold. Member public agencies overlying a common groundwater basin shall be allowed to account for their purchases as a single, common purchaser; provided that member public agencies which elect to pool their purchases for purposes of the readiness-to-serve charge calculation must also pool their purchases for purposes of the new demand charge. Metropolitan sales of reclaimed water under the Local Projects Program and groundwater under the Groundwater Recovery Program shall not be included in the new demand charge calculation.

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:

2001-2002 New Demand Charge Base

| <u>Member Agency</u> | <u>Base Amount (AF)</u> |
|------------------------------|-------------------------|
| Anaheim | 24,944 |
| Beverly Hills | 13,614 |
| Burbank | 20,446 |
| Calleguas MWD | 99,025 |
| Central Basin MWD | 115,834 |
| Coastal MWD | 41,441 |
| Compton | 5,026 |
| Eastern MWD | 55,603 |
| Foothill MWD | 9,610 |
| Fullerton | 12,262 |
| Glendale | 26,456 |
| Inland Empire Water Agency | 76,265 |
| 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 | 559,247 |
| San Fernando | 903 |
| San Marino | 1,327 |
| Santa Ana | 15,840 |
| Santa Monica | 8,889 |
| Three Valleys MWD | 69,664 |
| Torrance | 20,311 |
| Upper San Gabriel MWD | 71,899 |
| West Basin MWD | 167,634 |
| Western MWD of Riverside Co. | 78,177 |
| TOTAL | 2,180,451 |

Section 10. That this Board finds and determines that the new demand charge base reflected in Section 9 above is a reasonable approximation of each member agency's

demands on Metropolitan's system in fiscal year 1995-96, when the new demand charge was initiated. The calculation of the new demand charge base is based on sales data recorded by Metropolitan and shall be conclusive in the absence of manifest error.

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 Metropolitan's determination that a member agency's historic average deliveries of Metropolitan water in the immediately preceding four fiscal years have exceeded such member agency's new demand charge base. New demand charges are incurred on the basis of the amount of water purchased by the member agency and are not imposed upon real property or upon a person as an incident of property ownership. The determination of new demand charges for Metropolitan water delivered in 2001-2002 shall be made early in fiscal year 2002-2003. In no event shall a new demand charge be incurred for water delivered in any fiscal year *after 1994-95* if in such year the member agency has not purchased Metropolitan water in an amount at least equal to its initial new demand charge base.

Section 13. That such new demand charge shall be due and payable in the fiscal year following the year in which Metropolitan determines that the new demand charge has been incurred. 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 weighted average 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 dated March 1996, which is on file and available for review by interested parties at Metropolitan's headquarters.

Section 15. That notwithstanding the foregoing, the Board hereby suspends collection of all new demand charges which may be incurred for fiscal year 2001-2002, pending imposition by Metropolitan of an area-wide fee based on new development or other alternative charge; provided, however, that if the General Manager shall determine and certify that normal system demands have reached levels in excess of 2.2 million acre-feet, collection of the new demand charge shall resume. It is the intent of the Board that if collection of the new demand charge resumes, a new nexus study will be prepared, including revised new demand charge base figures for the member agencies, and such collection shall not retroactively include new demand charges incurred prior to the date that the General Manager certifies that normal system demands exceed 2.2 million acre-feet.

Section 16. 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 17. 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 18. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by publication.

Section 19. 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 8, 2001.

Executive Secretary
The Metropolitan Water District
of Southern California