

- **Board of Directors**
Budget, Finance and Investment Committee

January 8, 2002 Board Meeting

9-1

Subject

Apportionment of revenues and setting of water rates and charges to raise firm revenues, and adopt resolutions giving notice of intention to impose rates and charges

Description

This letter requests that the Board set a time for a hearing of the Budget, Finance and Investment Committee (formerly the Audit, Budget and Finance Committee) at which interested parties may present their views regarding the Chief Executive Officer's recommendations for rates and charges.

In addition, this letter recommends approval of resolutions of intention to: (1) adopt rates and charges for fiscal year 2002/03, (2) impose the Readiness-to-Serve Charge (RTS) (including the Water Standby Charge) for FY 2002/03, (3) impose the Capacity Reservation Charge and Peaking Surcharge for FY 2002/03, and (4) impose a New Demand Charge and suspend collection of the charge for FY 2002/03.

Metropolitan Water District Administrative Code § 4304(c) requires the Chief Executive Officer to present recommendations for water rates and charges for the next fiscal year based on the Audit, Budget and Finance Committee's determination of required water revenues, and to set a time for a hearing of the Budget, Finance and Investment Committee at which interested parties may present their views of the recommendations. In October 2001, the Board approved a new rate structure as described in Board Letter 9-6 entitled "Approve Rate Structure Proposal." In December 2001, the Audit, Budget and Finance Committee approved the Chief Executive Officer's determination of the revenues to be derived from water rates and charges during FY 2002/03 in Board Letter 9a, entitled "Determination of water revenue requirements for FY 2002/03".

The rates and charges to be effective January 1, 2003, are a result of Metropolitan's efforts to improve its rate structure to encourage cost-effective water recycling, conservation, and water management, accommodate a water transfer market and secure a greater level of financial commitment from the member agencies. The new rate structure and the cost of service process supporting the recommended rates and charges are described in the detailed report, "Metropolitan Water District of Southern California, Rates and Charges" to be mailed under separate cover. The new rate structure changes how Metropolitan currently recovers costs by: (1) implementing a tiered pricing structure for supply; (2) unbundling the current water rate into supply, conveyance, distribution, water stewardship and power elements; (3) implementing a Capacity Reservation Charge and Peaking Surcharge; and (4) establishing a financial commitment from the member agencies in the form of a purchase order.

The recommended rates and charges under the new rate structure generate the same amount of total revenue as would be generated by the existing rates and charges under the current rate structure. Although there is no overall increase in the total revenue that Metropolitan will generate, some member agencies may pay more or less than they would have under the existing rate structure due to the re-allocation of costs among the new rates and charges. It is estimated that, under the recommended rates and charges, the financial impact to the member agencies ranges between plus or minus 3 percent. The Chief Executive Officer's recommendations for water rates and charges for the coming fiscal year are shown in the following table.

	Current Rate Structure (Effective January 1, 2002)	New Rate Structure (Effective January 1, 2003)
Tier 1 Supply Rate (\$/af)	N/A	\$73
Tier 2 Supply Rate (\$/af)	N/A	\$154
System Access Rate (\$/af)	N/A	\$141
System Power Rate (\$/af)	N/A	\$89
Water Stewardship Rate (\$/af)	N/A	\$23
Full Service Untreated Water Rate (\$/af)	\$349	N/A
Tier 1	N/A	\$326
Tier 2	N/A	\$407
Seasonal Shift Untreated Water Rate (\$/af)	\$289	N/A
Long-term Storage Water Rate (\$/af)	\$233	\$233
Interim Agricultural Water Program (\$/af)	\$236	\$236
Treatment Surcharge (\$/af)	\$82	\$82
Readiness-to-Serve Charge (\$M)	\$80.0	\$80.0
Capacity Reservation Charge (\$/cfs)	N/A	\$6,100
Peaking Surcharge (\$/cfs)	N/A	\$18,300
Connection Maintenance Charge (\$M)	\$2.9	N/A

Metropolitan's current water rate of \$349 per acre-foot will be unbundled to reflect the different services provided by Metropolitan. The unbundled rates are:

- a. **Tier 1 and Tier 2 Supply Rates.** It is recommended that the Tier 1 Supply Rate be set at a level of \$73 per acre-foot. The Tier 1 Supply Rate recovers Metropolitan's supply costs that are not recovered by sales at the Tier 2 Supply Rate and a portion of the long-term storage and agricultural water sales. The Tier 1 Supply Rate will be charged on a dollar per acre-foot basis for system supply delivered to meet firm demands that are less than 60 percent of a member agency's base demand. It is recommended that the Tier 2 Supply Rate be set at a level of \$154 per acre-foot. The Tier 2 Supply Rate is set at a level that reflects Metropolitan's cost of developing supplies. The Tier 2 Supply Rate will be charged on a dollar per acre-foot basis for system supply delivered in excess of 60 percent of a member agency's base demand.
- b. **Purchase Order.** The Purchase Order is a financial commitment from the member agency to Metropolitan. A member agency that chooses to submit a Purchase Order is committing to purchase ten times 60 percent of its base demand over the next ten years. A member agency's base demand is the highest firm demand since fiscal year 1989/90. In return for submitting a Purchase Order, the member agency may purchase up to 90 percent of its base demand at the Tier 1 Supply Rate.

- c. **System Access Rate.** It is recommended that the System Access Rate be set at \$141 per acre-foot. The System Access Rate recovers a portion of the costs associated with the conveyance and distribution system, including capital, operating and maintenance costs. All users (including member agencies and third-party wheeling entities) of the Metropolitan system will pay the System Access Rate.
- d. **Water Stewardship Rate.** It is recommended that the Water Stewardship Rate be set at \$23 per acre-foot. The Water Stewardship Rate will be charged on a dollar per acre-foot basis to collect revenues to support Metropolitan's financial commitment to conservation, water recycling, groundwater recovery and other water management programs approved by the Board. The Water Stewardship Rate will be charged for every acre-foot of water conveyed by Metropolitan.
- e. **System Power Rate.** It is recommended that the System Power Rate be set at \$89 per acre-foot. The System Power Rate will be charged on a dollar per acre-foot basis to recover the cost of power necessary to pump water from the State Water Project and Colorado River through the conveyance and distribution system for Metropolitan's member agencies. The System Power Rate will be charged for all Metropolitan supplies. Entities wheeling water will continue to pay the actual cost of power to convey water on the State Water Project, the Colorado River Aqueduct or the Metropolitan distribution system, whichever is applicable.
- f. **Treatment Surcharge.** It is recommended that the full service treatment surcharge be set at its current level of \$82 per acre-foot. Metropolitan will continue to charge a treatment surcharge on a dollar per acre-foot basis for treated deliveries. The treatment surcharge is set to recover the cost of providing treated water service, including capital and operating cost.
- g. **Capacity Reservation Charge and Peaking Surcharge.** The Capacity Reservation Charge is recommended to be \$6,100 per cubic foot second (cfs) of maximum daily flow requested by the member agency. The Peaking Surcharge is recommended to be \$18,300 per cfs of daily flow in excess of a member agency's requested maximum daily flow amount. Member agencies will pay a Capacity Reservation Charge (set in dollars per cfs of the peak day capacity they reserved). The Capacity Reservation Charge is a fixed charge levied on the amount of capacity requested by the member agency. The Capacity Reservation Charge recovers the cost of providing peak capacity within the distribution system. Peak-day deliveries in excess of the reserved amount of capacity chosen by the member agency will be assessed a Peaking Surcharge. It is recommended that Peaking Surcharge revenue collected by Metropolitan for the three fiscal years ending on June 30, 2005, would be returned to that member agency incurring the Peaking Surcharge to implement specific capital projects and programs to avoid peaking charges in the future. Peaking Surcharge revenues would be returned to the member agency to the extent that Metropolitan does not utilize Peaking Surcharge revenues. This transition mechanism should reduce negative impacts to member agencies. The Capacity Reservation Charge and Peaking Surcharge are designed to encourage member agencies to shift demands and avoid placing large daily peaks on the Metropolitan system during the summer months. Daily flow measured between May 1 and September 30 for purposes of billing the Capacity Reservation Charge and Peaking Surcharge will include all deliveries made by Metropolitan to a member agency or member agency customer including water transfers, exchanges and agricultural deliveries.
- h. **Readiness-to-Serve Charge.** It is recommended that the total Readiness-to-Serve Charge not change from its current level of \$80 million. Metropolitan's Readiness-to-Serve Charge will recover costs associated with standby and peak conveyance capacity and system emergency storage capacity. The Readiness-to-Serve Charge would be allocated among the member agencies on the basis of each agency's ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity). This allocation would be revised each year. Revenues equal to the amount of Standby Charges will continue to be credited against the member agency's Readiness-to-Serve Charge obligation unless a change is requested by the member agency.
- i. **Long-Term Storage Water Rate.** It is recommended that the untreated long-term storage water rate remains a bundled rate and not increase from its current level of \$233 per acre-foot. It is also

recommended that the treated long-term storage water rate remain at its current level of \$290 per acre-foot. The current long-term storage service program used by the member agencies for storage replenishment purposes will be unchanged.

- j. **Agricultural Water Rate.** It is recommended that the agricultural water rate remains a bundled rate and will not increase from its current level of \$236 per acre-foot. It is also recommended that the treated agricultural water rate remain at its current level of \$294 per acre-foot. The current surplus water agricultural service program used by the member agencies for agricultural purposes will remain in place.
- k. **Connection Maintenance Charge.** It is recommended that the current connection maintenance charge be discontinued.
- l. **New Demand Charge.** It is recommended that the current New Demand Charge continue to be imposed at its current level of \$1,000 per acre-foot and that the collection of such charge be suspended until a determination is made that normal system demands exceed 2.2 million acre-feet.

Policy

Metropolitan Water District Administrative Code § 4304 (c) (f): Apportionment of Revenues and Setting of Water Rates and Charges to Raise Firm Revenues

California Environmental Quality Act (CEQA)

The proposed actions are not defined as a project under CEQA, because they involve continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed actions are not subject to CEQA because they involve the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination for both Options #1 and #2 is: Determine that the proposed actions are not subject to CEQA per Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

- a. Set a time for a hearing of the Budget, Finance and Investment Committee at which interested parties may present their views regarding the Chief Executive Officer's recommendation. The water rates and charges for the first six months of FY 2002/03 will remain unchanged. It is recommended that the rates and charges effective January 1, 2003, be set by the Board as defined above.
- b. Adopt the following resolutions:
 1. Resolution of intention to impose rates and charges to be effective January 1, 2003, and to direct further actions in connection herewith in the form shown as **Attachment 1** to this letter.
 2. 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 12, 2002 meeting to consider and act upon the Chief Executive Officer's recommendation to impose a Readiness-to-Serve Charge and (ii) at its May 14, 2002 meeting to consider and act upon the Chief Executive Officer'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.
 3. Resolution of intention to impose a Capacity Reservation Charge and Peaking Surcharge in the form shown as **Attachment 3** to this letter, declaring the Board's intention, at its March 12, 2002 meeting to consider and act upon the Chief Executive Officer's recommendation to impose a Capacity Reservation Charge and Peaking Surcharge.

- 4. Resolution of intention to impose a New Demand Charge (NDC) at the current level and suspend collection of the NDC for FY 2002/03, in the form shown as **Attachment 4** to this letter.

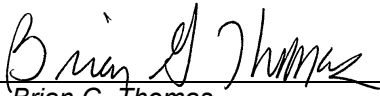
Estimated Fiscal Impact: None

Option #2

Adopt the CEQA determination and instruct staff to modify the recommended rates and charges per Board direction.

Staff Recommendation

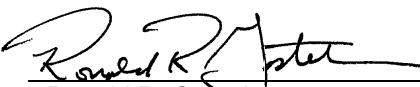
Option #1



Brian G. Thomas
Chief Financial Officer

12/19/2001

Date



Ronald R. Gastelum
Chief Executive Officer

12/19/2001

Date

Attachment 1 – Resolution of Intent (Rates and Charges)

Attachment 2 – Resolution of Intent (Readiness-to-Serve Charge)

Attachment 3 – Resolution of Intent (Capacity Reservation and Peaking Surcharge)

Attachment 4 – Resolution of Intent (New Demand Charge)

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
RATES AND CHARGES FOR FISCAL YEAR 2002/03 AND TO DIRECT
FURTHER ACTIONS IN CONNECTION THEREWITH**

WHEREAS, the Board of Directors (“Board”) of The Metropolitan Water District of Southern California (“Metropolitan”), pursuant to Sections 133 and 134 of the Metropolitan Water District Act (the “Act”), is authorized to fix such rate or rates for water as will result in revenue which, together with revenue from any water standby or availability service charge or assessment, will pay the operating expenses of Metropolitan, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by Metropolitan, and provide for the payment of the interest and principal of its bonded debt; and

WHEREAS, in July 1998, the Board commenced a strategic planning process to review the management of its assets, revenues and costs to determine whether it could conduct its business in a more efficient manner to better serve residents within its service area; and

WHEREAS, after conducting interviews with its directors, member agencies, business and community leaders, legislators and other interested stakeholders, and conducting public meetings throughout its service area to solicit public input, the Board developed and adopted Strategic Plan Policy Principles on December 14, 1999, (the “Strategic Plan Policy Principles” which document is on file with Metropolitan’s Executive Secretary) to provide a framework for the development of a revised rate structure; and

WHEREAS, the Board received and reviewed several rate structure proposals developed during the strategic planning process and after thorough deliberation adopted a Composite Rate Structure Framework on April 11, 2000, (the “Rate Structure Framework” which document is on file with Metropolitan’s Executive Secretary); and

WHEREAS, on December 12, 2000, the Board adopted a Rate Structure Action Plan (the “Action Plan” which document is on file with Metropolitan’s Executive Secretary) and endorsed in concept a detailed rate design proposal (the “December 2000 Proposal” which document is on file with Metropolitan’s Executive Secretary) developed from the Rate Structure

Framework and directed staff to work with the Board, member agencies and the Subcommittee on Rate Structure Implementation (the "Subcommittee") to resolve outstanding issues identified during the implementation of the December 2000 Proposal; and

WHEREAS, on February 16, 2001, Metropolitan staff provided all member agencies electronic detailed spreadsheet models which showed: (i) the proposed cost of service process, (ii) estimated impacts on member agencies of the December 2000 Proposal under different demand conditions and over time, and (iii) additional information for the purposes of analyzing the potential impacts on the member agencies of the December 2000 Proposal; and

WHEREAS, on January 30, 2001, March 6, 2001, March 27, 2001, April 24, 2001 and June 26, 2001, the Subcommittee met and discussed implementation of the December 2000 Proposal; and

WHEREAS, on September 10, 2001, an alternative Rate Structure Proposal that addressed concerns raised by the Board of Directors and member agencies about the December 2000 Proposal was presented to the Subcommittee for its review and consideration; and

WHEREAS, on September 18, 2001, the Subcommittee evaluated and considered the alternative Rate Structure Proposal (see Attachment 1 to Board Letter 9-6, dated October 16, 2001, and hereinafter referred to as the "Proposal"), together with staff analysis of the Proposal and other information and comments received from member agencies; and

WHEREAS, on September 25, 2001, the Proposal, together with a staff review thereof, was further discussed and considered by the Board of Directors; and

WHEREAS, in October 2001, Metropolitan staff made available to member agencies revised electronic versions of detailed spreadsheet models showing: (i) the proposed cost of service process, (ii) estimated impacts of the Proposal by member agency under different demand conditions over time, and (iii) additional information to analyze the potential impacts on member agencies of the Proposal; and

WHEREAS, on October 16, 2001, the Board voted in favor of the Proposal determining that the Proposal (i) was consistent with the Board's Strategic Plan Policy Principles, (ii) addressed issues raised during the consideration of the December 2000 Proposal, (iii) furthered Metropolitan's strategic objectives of ensuring the region's long term water supply reliability through encouragement of sound and efficient water resources management, water conservation, and accommodating a water transfer market, and (iv) enhanced the fiscal stability of Metropolitan; and

WHEREAS, the Chief Executive Officer was directed to (i) prepare a report on the Proposal describing each of the rates and charges and the supporting cost of service process and (ii) utilize the Proposal as the basis for determining Metropolitan's revenue requirements and recommending rates to become effective January 1, 2003, in accordance with Metropolitan's annual rate-setting procedure under Section 4304 of the Administrative Code; and

WHEREAS, on December 10, 2001, the Chief Executive Officer presented to the Audit, Budget and Finance Committee his determination of total revenues and of revenues to be derived from water sales and firm revenue sources required during the fiscal year beginning in FY 2002/03; and

WHEREAS, on January 7, 2002, the Chief Executive Officer presented to the Budget, Finance and Investment Committee (formerly the Audit, Budget and Finance Committee) a detailed report describing each of the rates and charges and the supporting cost of service process, dated December 2001, (the "Report"), that (i) describes the rate structure process and design; (ii) shows the costs of major service functions that Metropolitan provides to its member agencies; (iii) classifies these service function costs based on the use of the Metropolitan system to create a logical nexus between the revenues required from each of the rates and charges; and (iv) sets forth the rates and charges necessary to defray such costs; and

WHEREAS, on January 7, 2002, the Chief Executive Officer presented to the Budget, Finance and Investment Committee his recommendation for rates and charges to be imposed; and

WHEREAS, on January 7, 2002, the Budget, Finance and Investment Committee set a time for a public hearing for the purposes of receiving comments on the Chief Executive Officer's recommendations for rates and charges for FY 2002/03; and

WHEREAS, each of the meetings of the Board were conducted in accordance with the Brown Act (commencing at Section 54950 of the Government Code), for which due notice was provided and at which quorums were present and acting throughout;

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 Metropolitan should impose rates and charges that will enhance Metropolitan's fiscal stability and ability to ensure the region's long-term water supply while reasonably and fairly allocating the cost of providing service to its member agencies.

Section 2. The Board finds and determines that the rates and charges contained in the Chief Executive Officer's recommendations are supported by the cost of service process and that such rates and charges reasonably and fairly allocate the costs of providing service of Metropolitan's water system to its member agencies and third-party transporters of water, if any.

Section 3. The Board finds and determines that the cost of service process reasonably and fairly: (i) allocates costs to the service functions that Metropolitan provides to its member agencies; (ii) classifies service function costs based upon use of Metropolitan's system, and (iii) allocates costs to rates and charges based upon customary water industry standards. Accordingly, the Board finds that the cost of service process supports the Chief Executive Officer's rates and charges recommendation by creating a logical nexus between the revenues required and the rates and charges necessary to defray the costs of providing service of Metropolitan's water system.

Section 4. 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 12, 2002, (or such other date as the Board shall hold its regular meeting in such month), on the Chief Executive Officer's recommendation to impose rates and charges for FY 2002/03 to be effective January 1, 2003 as provided in this Resolution.

Section 5. On January 7, 2002, the Budget, Finance and Investment Committee of Metropolitan's Board set a public hearing at which interested parties may present their views regarding the proposed rates and charges, to be held 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. The Board reserves the right to make any changes to the rates and charges, including but not limited to the basis on which such charges shall be imposed by Metropolitan, as a result of comments received at the public hearing. The Board will take final action to adopt the rates and charges in March of 2002, (or such other date as the Board shall determine).

Section 6. The Chief Executive Officer 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 preparation of uniform water supply purchase orders and the commencement or defense of litigation.

Section 7. This Board finds that approval of the rates and charges as provided in this Resolution is not defined as a Project under the California Environmental Quality Act (CEQA), because they involve continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed actions are not subject to CEQA because they involve the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

Section 8. If any provision of this is held invalid, that invalidity shall not affect other provisions 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.

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, 2002.

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
A READINESS-TO-SERVE CHARGE FOR FISCAL YEAR 2002/03**

WHEREAS, at its meeting on October 16, 2001, the Board of Directors (“Board”) of The Metropolitan Water District of Southern California (“Metropolitan”) approved a rate structure proposal described in Board Letter 9-6 dated October 16, 2001, including a readiness-to-serve charge; and

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

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; and

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; and

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; and

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; and

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; and

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; and

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; and

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; and

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; and

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; and

WHEREAS, the provisions of the Uniform Standby Charge Procedures Act ("USCPA"), sections 54984-54984.9 of the Government Code, are available to any local agency authorized by law to provide water or water service, and authorized to fix, levy, or collect any standby or availability charge or assessment in connection with the provision of that service; 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 2001 (the "Engineer's Report"), on file with the Executive Secretary, a copy of which is attached;

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 Metropolitan should 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 debt service and other appropriately allocated costs, for capital expenditures for projects needed to provide standby and emergency storage service needs.

Section 3. That such readiness-to-serve charge for January 1, 2003 through and including June 30, 2003 shall be a water rate equal to \$52.13 per acre-foot, which shall be

charged on a historic basis for each acre-foot of water, excluding water used for purposes of replenishing local storage and agriculture as defined by the Administrative Code, included in Metropolitan's average water deliveries to its member agencies for the ten-year period ending June 30, 2001. The aggregate readiness-to-serve charge for the period from July 1, 2002 through and including June 30, 2003 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, 2002 through and including June 30, 2003 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 charged, based upon the proportionate share of the use of those facilities as shown on the Engineer's Report.

Section 6. That in the alternative, and without duplication, the readiness-to-serve charge shall be an availability of 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 12, 2002 (or such other date as the Board shall hold its regular meeting), on the Chief Executive Officer's recommendation to impose a readiness-to-serve charge for FY 2002/03.

Section 8. That the readiness-to-serve charge shall be allocated among the member public agencies in proportion to the average of deliveries through Metropolitan's system (in acre-feet) to each member public agency initially during the ten-year period ending June 30, 2001. 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 effective January 1, 2003, is as follows:

READINESS-TO-SERVE CHARGE EFFECTIVE JANUARY 1, 2003

Member Agency	Rolling Ten-Year Average Firm Demands (Acre-Feet)	RTS Share	Effective January 1, 2003 \$
Anaheim	16,740	1.09%	872,641
Beverly Hills	13,163	0.86	686,206
Burbank	14,708	0.96	766,731
Calluegas MWD	91,345	5.95	4,761,834
Central Basin MWD	73,661	4.80	3,839,964
Compton	4,051	0.26	211,156
Eastern MWD	55,412	3.61	2,888,675
Foothill MWD	8,926	0.58	465,305
Fullerton	7,879	0.51	410,738
Glendale	26,344	1.72	1,373,340
Inland Empire Utilities Agency	43,233	2.82	2,253,757
Las Virgenes MWD	18,681	1.22	973,839
Long Beach	41,736	2.72	2,175,699
Los Angeles	178,632	11.64	9,312,175
Municipal Water District of Orange County ¹	206,341	13.45	10,756,667
Pasadena	17,698	1.15	922,623
San Diego County Water Authority	389,077	25.35	20,282,748
San Fernando	221	0.01	11,514
San Marino	1,186	0.08	61,824
Santa Ana	12,626	0.82	658,194
Santa Monica	8,834	0.58	460,539
Three Valleys MWD	61,235	3.99	3,192,212
Torrance	20,632	1.34	1,075,581
Upper San Gabriel Valley MWD	8,400	0.55	437,879
West Basin MWD	171,126	11.15	8,920,879
Western MWD	42,725	2.78	2,227,278
Total	1,534,611	100.00	\$ 80,000,000

¹ Reflects consolidation in January 2001 of the Coastal Municipal Water District with the Municipal Water District of Orange County.

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 water conveyed through Metropolitan's system for the purposes of water transfers, exchanges or other similar arrangements shall be included in the calculation of a member agency's rolling ten-year average firm demands used to allocate the readiness-to-serve charge. If collection of the new demand charge has not been suspended, in no event shall deliveries of Metropolitan water that 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) 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 Chief Executive Officer's recommendation on rates and charges to be effective January 1, 2003, 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 FY 1996/97, be collected by reimposition of the Metropolitan water standby charge at the same rates imposed in FY 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 such water is 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 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 FY 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 FY 1996/97 will be subject to the reimposition of pre-1997 standby charges for FY 2002/03. 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 FY 2002/03. The Engineer's Report lists parcels annexed, or to be annexed, to Metropolitan and to electing member agencies during FY 2001/02, 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 the 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 FY 2002/03 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 Utilities 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

* Applicable to parcels included within territory of former Coastal MWD.

** Exclusive of parcels included within territory of former Coastal MWD.

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 50 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 12, 2002 (or such other date as the Board shall hold its regular meeting in such month), on the Chief Executive Officer's recommendation to impose a readiness-to-serve charge for FY 2002/03 as provided in this Resolution. On January 7, 2002, the Budget, Finance and Investment Committee of Metropolitan's Board set a public hearing at which interested parties may present their views regarding the proposed readiness-to-serve charge, to be held 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. The Board reserves the right to make any changes to the readiness to serve charge, including but not limited to the basis on which such charges shall be imposed by Metropolitan, as a result of comments received at the public hearing.

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 14, 2002 (on such other date as the Board shall hold its regular meeting in such month), on the Chief Executive Officer's recommendation to impose a water standby charge for FY 2002/03 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 9, 2002 (or such other date as the Board shall hold its regular meeting in such month), 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 9, 2002, 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 Chief Executive Officer, 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 Chief Executive Officer may develop and implement additional criteria and guidelines for exemptions in order to effectuate the intent expressed herein.

(b) The Chief Executive Officer 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, 2002. The Chief Executive Officer 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 Chief Executive Officer shall also establish reasonable procedures for the filing and timing of the appeals from his determination.

(c) The Budget, Finance and Investment Committee shall hear appeals from determinations by the Chief Executive Officer to deny or qualify an application for exemption from the pre-1997 water standby charge. The Budget, Finance and Investment Committee shall consider such appeals and make recommendations to the Board to affirm or reverse the Chief Executive Officer'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 Chief Executive Officer 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 not defined as a Project from the provisions of the California Environmental Quality Act ("CEQA") since they are rates and other charges which involve continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed actions are not subject to CEQA because they involve the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

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 Chief Executive Officer 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 8, 2002.

Executive Secretary
The Metropolitan Water District
of Southern California

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 2002/03

December 2001

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 fiscal year 2002/03, and (2) describe the method and basis for levying Metropolitan's standby charge for those agencies electing to collect a portion of their RTS obligation 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 next be updated in 2002. 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 Benefits

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 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 fiscal year 2002/03 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 fiscal year 2002/03 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 fiscal year 2002/03 estimated conveyance and distribution system benefits.

Demand Management Program Benefits

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 fiscal year 2002/03) 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 144,500 acre-feet of water for fiscal year 2002/03 with financial incentive payments of about \$27 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 benefits as measured by Metropolitan's estimated 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 the Conservation Credits Program, 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 fiscal year 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 as measured by Metropolitan's incentive payments 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 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 fiscal year 2002/03 are about \$345 million as shown in Table 1.

Although the RTS charge could be set to recover the entire potential benefit amount, the Chief Executive Officer 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 fiscal year 2002/03, this amount is estimated to be \$80,000,000. 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. Consistent with a rate structure proposal approved by the Board in October of 2001, the RTS charge for fiscal year 2002/03 is allocated to each member agency on the basis of a ten-year rolling average of historic water purchases from Metropolitan ending June 30, 2001. This average includes all deliveries used to meet firm demand (consumptive municipal industrial demands), including water transfers and exchanges. The estimated fiscal year 2002/03 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 fiscal year 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 that imposed by Metropolitan in fiscal year 1996/97 and is shown in Table 5.

The proposed standby charge includes the reimposition of water standby charges on: (1) parcels which water standby charges have been imposed in fiscal year 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 reimposition of pre-1997 standby charges for FY 2002/03. 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 applicable, of annexation standby charges for fiscal year 2002/03. 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 \$345 million for FY 2002/03, as shown in Table 1. An average total standby charge of \$81.77 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 2002/03. This total amount is less than the estimated benefits shown in Table 1. 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.

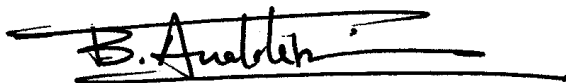
A major advantage of a firm revenue source, such as a RTS charge, is that it contributes to revenue stability during times of drought or low water sales. It affords Metropolitan additional security, when borrowing funds, that a portion of the revenue stream will be unaffected by drought or by rainfall. 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 fiscal year 2002/03, 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 2002/03. 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

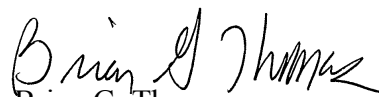
the service area and the proposed 2002/03 standby charge for each is available in the office of the Chief Financial Officer.

Prepared Under the Supervision Of:

A handwritten signature in black ink, appearing to read "B. Anatole Falagan". The signature is written in a cursive style and is underlined with a thick black line.

B. Anatole Falagan RCE 45669
Assistant Group Manager
Water Resources Management

Prepared Under the Supervision Of:

A handwritten signature in black ink, appearing to read "Brian G. Thomas". The signature is written in a cursive style.

Brian G. Thomas
Chief Financial Officer

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)	\$97,976,667	\$23.24
Non Tax Supported Debt Service Costs for System Storage ¹	106,444,563	25.24
Non Tax Supported Debt Service Costs for Conveyance and Distribution System ²	99,266,654	23.54
Sub-Total Capital Payments	303,687,883	72.02
less Estimated Standby Charge Revenues	(42,426,207)	(10.06)
Remaining capital payments	261,261,677	61.96
Demand Management Programs: Water Recycling, Groundwater Recovery and Water Conservation Projects	41,116,787	9.75
Sub-Total Capital, Debt Service and Water Management Programs Costs not Paid by Standby Charge Revenues	302,378,464	71.71
Total Benefits: Capital and Water Management Programs	\$344,804,670	\$81.77

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 2002/03 Payment
Water Recycling Projects	\$17,489,880
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 2002/03 Payment
Groundwater Recovery Projects	\$9,283,307
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	\$14,343,600
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	\$41,116,787

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 ACQUEDUCT, 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 ACQUEDUCT, 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 ACQUEDUCT, 4 SIPHONS , SCHEDULE 16B	
COLORADO RIVER ACQUEDUCT, 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	\$ 32,268,888

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

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

UPPER FEEDER SCHEDULE 6P
 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 GEN. 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

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
 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 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.

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

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
 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
 ENCASMENT 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

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
 FOOTHILL FEEDERSYSTEM- SAN DIMAS FACILITIES, 2ND STAGE
 FOOTHILL FEEDER RIALTO PIPELINE- SCH. 264 &265(SAN DIMAS TO THMP.CRK)
 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

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

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
 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 ACCOMODATE 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

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

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)
 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 ACQUEDUCT- 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 DIEO 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 DIEO PIPE NO.5-SCH SD-17, TEMECULA TO DELIVERY POINT (SPEC NO. 1066)
 AULD VALLEY PIPELINE
 AULD VALLEY PIPELINE

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

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		
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 CONSTRUCSTION OF SC. LA-35		
ORANGE COUNTY FEEDER - SVC CONN SA-3, REPLACE MECHICAL METER		
Sub-Total Distribution Facilities Benefits	\$	66,997,766
Total Conveyance and Distribution Facilities Benefits	\$	99,266,654

TABLE 4
FISCAL YEAR 2002/03
ESTIMATED READINESS-TO-SERVE CHARGE REVENUE

Member Agency	Amount
Anaheim	\$ 951,896
Beverly Hills	691,720
Burbank	828,400
Calleguas MWD	4,673,622
Central Basin MWD	3,735,172
Compton	208,373
Eastern MWD	2,636,353
Foothill MWD	444,320
Fullerton	422,567
Glendale	1,354,916
Inland Empire Utilities Agency	1,885,726
Las Virgenes MWD	943,623
Long Beach	2,228,428
Los Angeles	9,269,634
Municipal Water District of Orange County	11,229,800
Pasadena	835,699
San Diego County Water Authority	20,764,140
San Fernando	12,196
San Marino	69,514
Santa Ana	686,120
Santa Monica	360,598
Three Valleys MWD	3,181,255
Torrance	1,061,827
Upper San Gabriel Valley MWD	432,827
West Basin MWD	8,508,985
Western	2,582,287
Total	\$ 80,000,000

TABLE 5
FISCAL YEAR 2002/03
ESTIMATED STANDBY CHARGE REVENUE

Member Agencies	Total Parcel Charge	Number Of Parcels Or Acres	Gross Revenues (Dollars) ¹
Anaheim	\$8.55	67,741	\$579,184
Beverly Hills			
Burbank	\$14.20	28,155	\$399,804
Calleguas MWD	\$9.58	254,516	\$2,438,262
Central Basin MWD	\$10.44	339,444	\$3,543,797
Compton	\$8.92	18,100	\$161,454
Eastern MWD	\$6.94	382,755	\$2,656,323
Foothill MWD	\$10.28	30,344	\$311,937
Fullerton	\$10.71	33,513	\$358,927
Glendale	\$12.23	44,752	\$547,313
Inland Empire Utilities Agency	\$7.59	227,255	\$1,724,862
Las Virgenes MWD	\$8.03	62,167	\$499,205
Long Beach	\$12.16	88,456	\$1,075,629
Los Angeles			
Municipal Water District of Orange County (2)	\$10.09	619,279	\$7,253,603
Pasadena	\$11.73	36,817	\$431,868
San Diego County Water Authority	\$11.51	1,071,166	\$12,329,117
San Fernando	\$7.87	5,148	\$40,516
San Marino	\$8.24	4,969	\$40,945
Santa Ana	\$7.88	53,673	\$422,941
Santa Monica			
Three Valleys MWD	\$12.21	152,409	\$1,860,911
Torrance	\$12.23	38,664	\$472,857
Upper San Gabriel Valley MWD	\$9.27	209,138	\$1,938,714
West Basin MWD			
Western MWD	\$9.23	361,622	\$3,338,038
MWD Total (2)		4,216,728	\$42,426,207
[1] Estimates per FY2001 actual receipts			
(2) Adjusted for inclusion of Coastal MWD			

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	

Annexation	Parcel Number	Acres	Proposed Standby Charge (FY 01-02)
	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
69th Fringe (1)	910-100-009	39.27	272.54
70th Fringe	910-220-001	8.81	61.14
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 60	215-0-020-020	0.04	9.58
	215-0-020-030	1.50	14.37
	215-0-020-040	19.55	187.29
	215-0-020-060	30.56	292.77
Calleguas 61	229-0-010-100	0.08	9.58
	229-0-010-160	5.54	53.07
	229-0-010-170	54.89	525.85
Calleguas 63	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

Annexation	Parcel Number	Acres	Proposed Standby Charge (FY 01-02)
Calleguas 67 (1)	183-0-010-335	11.23	107.58
	183-0-010-385	67.44	646.08
Calleguas 68	230-0-020-135	0.23	9.58
	230-0-020-195	21.54	206.35
Calleguas 69	215-0-061-045	8.72	83.54
	215-0-061-055	34.45	330.03
Calleguas 70	216-0-182-125	0.75	9.58
	216-0-182-135	0.75	9.58
	216-0-182-145	0.75	9.58
	216-0-182-155	0.75	9.58
Calleguas 72 (1)	220-0-021-365	1.65	15.81
Calleguas 74 (1)	220-0-021-335	15.6	149.45
Los Angeles County:			
Annexation	Parcel Number	Acres	Proposed Standby Charge (FY 01-02)
Mountain Cove (1)	8684-006-001	40	370.8
	8684-006-002	40	370.8
Note: (1) indicates anticipate completion prior to July			

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
A CAPACITY RESERVATION CHARGE AND A PEAKING SURCHARGE
FOR FISCAL YEAR 2002/03**

WHEREAS, the Board of Directors (“Board”) of The Metropolitan Water District of Southern California (“Metropolitan”), pursuant to Sections 133, 134 and 134.5 of the Metropolitan Water District Act (the “Act”), is authorized to fix such rate or rates for water as will result in revenue which, together with revenue from any water standby or availability service charge or assessment, will pay the operating expenses of Metropolitan, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by Metropolitan, and provide for the payment of the interest and principal of its bonded debt; and

WHEREAS, in July 1998 the Board commenced a strategic planning process to review the management of its assets, revenues and costs to determine whether it could conduct its business in a more efficient manner to better serve residents within its service area; and

WHEREAS, after conducting interviews with its directors, member agencies, business and community leaders, legislators and other interested stakeholders, and conducting public meetings throughout Metropolitan’s service area to solicit public input, the Board developed and adopted Strategic Plan Policy Principles on December 14, 1999 (the “Strategic Plan Policy Principles” which document is on file with the Executive Secretary) to provide a framework for development of a revised rate structure; and

WHEREAS, the Board received and reviewed several rate structure proposals developed during the strategic planning process and after thorough deliberation adopted a Composite Rate Structure Framework on April 11, 2000 (the “Rate Structure Framework” which document is on file with the Executive Secretary); and

WHEREAS, on December 12, 2000 the Board adopted a Rate Structure Action Plan (the “Action Plan” which document is on file with the Executive Secretary) and endorsed in

concept a detailed rate design proposal (the “December 2000 Proposal” which document is on file with the Executive Secretary) developed from the Rate Structure Framework and directed staff to work with the Board, member agencies and the Subcommittee on Rate Structure Implementation (the “Subcommittee”) to resolve outstanding issues identified during the implementation of the December 2000 Proposal; and

WHEREAS, on February 16, 2001, Metropolitan staff provided all member agencies with electronic detailed spreadsheet models which showed: (i) the proposed cost of service process, (ii) estimated impacts on member agency of the December 2000 Proposal under different demand conditions over time, and (iii) additional information for the purposes of analyzing potential impacts on member agencies of the December 2000 Proposal; and

WHEREAS, on January 30, 2001, March 6, 2001, March 27, 2001, April 24, 2001 and June 26, 2001 the Subcommittee met and discussed implementation of the December 2000 Proposal; and

WHEREAS, on September 10, 2001 an alternative Rate Structure Proposal that addressed concerns raised by Board members and member agencies about the December 2000 Proposal was presented to the Subcommittee for its review and consideration; and

WHEREAS, on September 18, 2001 the Subcommittee evaluated and considered the alternative Rate Structure Proposal (see Attachment 1 to Board Letter 9-6, dated October 16, 2001 and hereinafter referred to as the “Proposal”), together with staff analysis of the Proposal and other information and comments received from member agencies; and

WHEREAS, on September 25, 2001, the Proposal, together with a staff review thereof, was further discussed and considered by the Board; and

WHEREAS, in September 2001 Metropolitan staff made available to member agencies a revised electronic version of detailed spreadsheet models showing: (i) the proposed cost of service process supporting the rates and charges, (ii) estimated impacts by member agency of the Proposal under different demand and supply conditions over time, and (iii) other additional information to analyze the potential impacts on member agencies of the Proposal; and

WHEREAS, on October 16, 2001 the Board voted in favor of the Proposal determining that the Proposal (i) was consistent with the Board's Strategic Plan Policy Principles, (ii) addressed issues raised during the consideration of the December 2000 Proposal, (iii) furthered Metropolitan's strategic objectives of ensuring the region's long term water supply reliability through encouragement of sound and efficient water resources management, water conservation, and facilitating a water transfer market, and (iv) enhanced the fiscal stability of Metropolitan; and

WHEREAS, the Proposal included, among other things, a capacity reservation charge and a peaking surcharge; and

WHEREAS, the capacity reservation charge will be a fixed fee imposed (on a dollar per cubic foot per second basis) on member agencies on the amount of capacity reserved by such member agency and is designed to recover the cost of providing peaking capacity within the distribution system; and

WHEREAS, the peaking surcharge will be imposed on a dollar per cubic foot per second basis on member agencies for water demands in excess of the capacity reserved by such member agency; and

WHEREAS, the Chief Executive Officer was directed to (i) prepare a report on the Proposal describing each of the rates and charges and the supporting cost of service process and (ii) utilize the Proposal as the basis for determining Metropolitan's revenue requirements and recommending rates to become effective January 1, 2003, in Metropolitan's annual rate-setting procedure pursuant to Section 4304 of the Administrative Code; and

WHEREAS, on December 10, 2001, the Chief Executive Officer presented to the Audit, Budget and Finance Committee his determination of total revenues and of revenues to be derived from water sales and firm revenue sources required during the fiscal year beginning in FY 2002/03; and

WHEREAS, on January 7, 2002, the Chief Executive Officer presented to the Budget, Finance and Investment Committee a detailed report describing each of the rates and charges and the supporting cost of service process, dated December 2001 (the "Report"), that (i) describes the rate structure process and design, (ii) shows the costs of major service functions that Metropolitan provides to its member agencies, (iii) classifies these service functions costs based on the use of the Metropolitan system to create a logical nexus between the revenues required from each of the rates and charges, and (iv) sets forth the rates and charges necessary to defray such costs; and

WHEREAS, on January 7, 2002, the Chief Executive Officer presented to the Budget, Finance and Investment Committee his recommendation for rates and charges to be imposed and determination of total revenues to be derived from water sales and firm revenue sources required during the fiscal year beginning in FY 2002/03; and

WHEREAS, each of the meetings of the Board were conducted in accordance with the Brown Act (commencing at Section 54950 of the Government Code), for which due notice was provided and at which quorums were present and acting throughout; and

WHEREAS, the amount of revenue to be raised by the capacity reservation and peaking surcharge shall be as determined by the Board and allocation of such charges among member public agencies shall be in accordance with the method established by the Board; and

WHEREAS, the capacity reservation 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; and

WHEREAS, Metropolitan has legal authority to impose such capacity reservation charge and peaking surcharge as water rates pursuant to Sections 133 and 134 of the Metropolitan Water District Act (the "Act"); and

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; and

WHEREAS, the capacity reservation charge and the peaking surcharge are intended to recover the debt service and other appropriately allocated costs to construct operate and maintain projects needed to meet peak demands on Metropolitan's distribution system, as shown in the report, "Metropolitan Water District Rates and Charges" dated December 2001, prepared by Metropolitan in support of the capacity reservation and peaking surcharge charge; and

WHEREAS, in the alternative, Metropolitan has legal authority to impose the capacity reservation charge and peaking surcharge as capital facilities fees pursuant to Section 54999.2 of the Government Code and as availability of service charges pursuant to Section 134.5 of the Act; and

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

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

Section 1. That Metropolitan should develop firm net revenues, exclusive of *ad valorem* property taxes, through imposition of a capacity reservation charge and a peaking surcharge, as described below, to be imposed on Metropolitan's member public agencies.

Section 2. That the capacity reservation charge and peaking surcharge shall be in an amount sufficient to provide for payment of the capital financing costs not paid from *ad valorem* property taxes, as well as operations, maintenance and overhead costs incurred to provide peaking capacity within Metropolitan's distribution system.

Section 3. That such capacity reservation charge effective January 1, 2003 shall be a water rate of \$6,100 per acre-foot (set in dollars per cubic feet per second of the peak day capacity) for capacity reserved by a member agency on Metropolitan. That the peaking surcharge effective January 1, 2003, shall be \$18,300 per acre-foot, for peak day deliveries in excess of the reserved capacity chosen by such member agency.

Section 4. That this Board finds that the proposed capacity reservation and peaking surcharge shall be capital facility fees and are 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 5. That in the alternative, and without duplication, the peaking surcharge and capacity reservation charge shall be availability of service charges pursuant to Section 134.5 of the Act.

Section 6. 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 12, 2002 (or such other date designated by the Board for its regular meeting in such month), on the Chief Executive Officer's recommendation to impose a capacity reservation charge of \$6,100 per acre-foot of water (set in dollars per cubic feet per second of the peak day capacity) reserved by member agencies and a peaking surcharge of \$18,300 per acre-foot on all sales representing excess demands over a member agency's reserved capacity on Metropolitan in FY 2002/03. On January 7, 2002, the Budget, Finance and Investment Committee of Metropolitan's Board set a public hearing at which interested parties may present their views regarding the proposed capacity reservation charge and peaking surcharge, to be held prior to its regular March meeting pursuant to Section 4304(c) of Metropolitan's Administrative Code. The Board reserves the right to make any changes to the capacity reservation charge or the peaking surcharge, including but not limited to the basis on which such charges shall be imposed by Metropolitan, as a result of comments received at the public hearing. The Board will take final action to adopt the capacity reservation charge and peaking surcharge in March of 2002 (or such other date as the Board shall determine).

Section 7. That this Board finds and determines that the capacity reservation charge is a reasonable fee for capacity reservation of Metropolitan's distribution system.

Section 8. That the capacity reservation charge shall be a fixed charge and collected from each member agency monthly, quarterly or semiannually as agreed to by Metropolitan and the member agency. The peaking surcharge shall be due and payable within 60 days of Metropolitan invoicing the member agency for such charge. Metropolitan shall invoice the member agency for the peaking surcharge in the fiscal year following the fiscal year in which Metropolitan determines that the member agency's maximum daily flow has exceeded its requested maximum daily flow requirement. It is the intent of the Board that peaking surcharge revenues collected by Metropolitan for the three fiscal years ending on June 30, 2005 will be refunded to the member agency incurring the peaking surcharge to assist with the implementation of capital projects and other programs to avoid such peaking surcharges in the future, to the extent that peaking surcharge revenues are not utilized by Metropolitan.

Section 9. That the capacity reservation charge and peaking surcharge for each member public agency, the method of its calculation, cost allocations and other data used in its determination are as specified in the Report, which is on file and available for review by interested parties at Metropolitan's headquarters.

Section 10. That the Chief Executive Officer 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 11. That this Board finds that the proposed capacity reservation charge and peaking surcharge are not defined as a Project from the provisions of the California Environmental Quality Act ("CEQA") since they are rates and other charges which involve continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed actions are not subject to CEQA because they involve the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

Section 12. That the Chief Executive Officer is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by publication.

Section 13. 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, 2002.

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 FISCAL YEAR 2002/03**

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 FY 1995/96; and

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

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; and

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; and

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; and

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 debt; and

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; and

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; and

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; and

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

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 and such recommendations were approved by the Board on July 9, 1996; and

WHEREAS, such 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 Metropolitan should 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 effective January 1, 2003 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 12, 2002 (or such other date designated by the Board for its regular meeting in such month), on the Chief Executive Officer'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 FY 2002/03. On January 7, 2002, the Budget, Finance and Investment Committee of Metropolitan's Board set a public hearing at which interested parties may present their views regarding the proposed new demand charge, to be held prior to its regular March meeting pursuant to Section 4304(c) of Metropolitan's Administrative Code. The Board reserves the right to make any changes to the new demand charge, including but not limited to the basis on which such charge shall be imposed by Metropolitan, as a result of comments received at the public hearing.

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 FY 2001/02, 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. Each member public agency's new demand charge base is as follows:

FY 2002/03 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
Compton	5,026
Eastern MWD	55,603
Foothill MWD	9,610
Fullerton	12,262
Glendale	26,456
Inland Empire Utilities Agency	76,265
Las Virgenes MWD	18,525
Long Beach	42,539
Los Angeles	358,504
MWD of Orange Co.	285,269
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 FY 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 FY 2002/03 shall be made early in FY 2003/04. In no event shall a new demand charge be incurred for water delivered in any fiscal year *after* FY 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 capital 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 FY 2002/03, pending imposition by Metropolitan of a service area-wide fee based on new development or other alternative charge; provided, however, that if the Chief Executive Officer 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 Chief Executive Officer certifies that normal system demands exceed 2.2 million acre-feet.

Section 16. That the Chief Executive Officer 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 not defined as a Project from the provisions of the California Environmental Quality Act ("CEQA")

since this charge involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

Section 18. That the Chief Executive Officer 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, 2002.

Executive Secretary
The Metropolitan Water District
of Southern California