

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

March 12, 2002 Board Meeting

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**9-1**

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**Subject**

Adopt (1) recommended water rates and charges; (2) resolutions to impose charges, for fiscal year 2002/03; (3) authorize \$693,000 for the modification of the Water Information System to support the information and invoicing requirements of the new rate structure; and (4) approve changes to Metropolitan's Administrative Code to support the implementation of the approved rates and charges

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**Description**

This letter recommends approval of resolutions to: (1) adopt the recommended rates and charges effective January 1, 2003, as discussed in this letter; (2) impose the Readiness-to-Serve Charge (RTS) (including the Water Standby Charge) for FY 2002/03, with changes in its method of calculation effective January 1, 2003; and (3) impose the Capacity Reservation Charge and Peaking Surcharge effective January 1, 2003. The letter further recommends that the Board direct the Chief Executive Officer to take all necessary actions to finalize the implementation of the new rate structure including: (1) developing a purchase order form consistent with the new rate structure; and (2) revising Metropolitan's billing system to incorporate changes necessary to accommodate the new rate structure.

Metropolitan Water District Administrative Code § 4304(c) requires the Chief Executive Officer (CEO) to present recommendations for water rates and charges for the next fiscal year based on the Budget, Finance and Investment Committee's determination of required water revenues, and to set a time for a hearing of the committee at which interested parties may present their views of the recommendations. In October 2001, the Board approved a new rate structure. In December 2001, the Audit, Budget and Finance Committee (now the Budget, Finance and Investment Committee) approved the CEO's determination of the revenues to be derived from water rates and charges during FY 2002/03. In January 2002, the CEO's recommendation for rates and charges was transmitted to the Board and the Budget, Finance and Investment Committee set a public hearing for February 11, 2002. A summary of the comments received at the public hearing is included as [Attachment 1](#).

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 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 through a purchase order. A detailed report on the new rate structure is available on Metropolitan's web site and through the Executive Secretary's Office.

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 CEO's recommendation for water rates and charges for the coming fiscal year is 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
Seasonal Shift Untreated Water Rate (\$/AF)	\$289	N/A
Long-term Seasonal Storage Water Rate (\$/AF)	\$233	\$233
Long-term Seasonal Storage Treated Water Rate (\$/AF)	\$290	\$290
Interim Agricultural Water Program (\$/AF)	\$236	\$236
Interim Agricultural Water Program Treated (\$/AF)	\$294	\$294
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/AF. 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/AF. 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 and results in a member agency having the ability to purchase a greater share of its supply at the Tier 1 Supply Rate. A member agency that chooses to submit a purchase order is committing to purchase ten times 60 percent of its initial base demand over the next 10 years. A member agency's initial base demand is the highest firm demand since FY 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/AF. 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/AF. The Water Stewardship Rate will be charged on a dollar-per-acre-foot basis 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/AF. 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. 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/AF. 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. 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 requested amount of capacity chosen by the member agency will be assessed a Peaking Surcharge. It is recommended that Peaking Surcharge revenue (as long as that revenue is based on a Capacity Reservation Charge that is at least as much as 75 percent of the member agency's maximum peak in the past five years) collected by Metropolitan for the three years ending on December 31, 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 (as described in [Attachment 6](#) and [Attachment 7](#)). This transition mechanism will 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 deliveries (except long-term seasonal storage 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 remain at \$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. Table 1 and Table 2 of [Attachment 2](#) to this letter provide the total RTS by member agency for FY 2002/03 and an estimate of the net RTS by member agency after accounting for estimated Standby Charge revenues.

- i. **Long-Term Seasonal Storage Water Rate.** It is recommended that the untreated long-term seasonal storage water rate remains bundled and not increased from its current level of \$233/AF. It is also recommended that the treated long-term seasonal storage water rate remain at its current level of \$290/AF. The current long-term seasonal 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 remain bundled and not increased from its current level of \$236/AF. It is also recommended that the treated agricultural water rate remain at its current level of \$294/AF. The current interim agricultural water program for the delivery of surplus water for agricultural purposes will remain in place.
- k. **Connection Maintenance Charge.** It is recommended that the Connection Maintenance Charge be discontinued.
- l. **New Demand Charge.** It is recommended that the New Demand Charge no longer be imposed. Instead, Metropolitan will implement a growth charge to recover a portion of the cost of developing additional system capacity by the year 2006. By June of 2002, staff will present to the Board a workplan to implement such a growth charge.

This letter also requests that the Board authorize \$693,000 for the modification of Metropolitan's billing system to support the information and invoicing requirements of the new rate structure (CIP Program Number: 01203-E). This project was reviewed and recommended for approval as part of the CIP process and included as part of Metropolitan's 2001/02 capital budget. Metropolitan's billing system, or Water Information System (WINS), is a custom built software application that accounts and invoices for water delivered and sold to member agencies. Features of the new rate structure such as tiered require modification of the invoicing modules.

The changes to Metropolitan's Administrative Code necessary to implement the new rates and charges are shown in underline/strikeout format in [Attachment 6](#) and as a complete draft in [Attachment 7](#). It is recommended that the Board approve these changes as part of the implementation process.

## **Policy**

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

Metropolitan Water District Administrative Code § 5108: Capital Project Appropriation

Metropolitan Water District Operating Policy I-03: Accounting for Costs of Computer Software

## **California Environmental Quality Act (CEQA)**

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CEQA determination for Options #1 and #2:

The proposed actions are not defined as a project under CEQA, because they involve continuing administrative activities, such as purchases for supplies, 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 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**

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**Option #1**

Adopt the CEQA determination and

a. Adopt the following resolutions:

- 1. Resolution 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 3** to this letter.
- 2. Resolution to impose the Readiness-to-Serve Charge in the form shown as **Attachment 4** to this letter.
- 3. Resolution to impose a Capacity Reservation Charge and Peaking Surcharge in the form shown as **Attachment 5** to this letter.

b. Authorize \$693,000 for the modification of the Water Information System to support the information and invoicing requirements of the newly adopted rate structure.

c. Approve changes to the Administrative Code necessary to implement the new rates and charges as shown in underline/strikeout format in **Attachment 6** and as a complete draft in **Attachment 7** to this letter.

d. Direct the CEO to finalize the implementation of the new rate structure by taking the following actions:

- 1. Develop the form of a purchase order consistent with the new rate structure adopted by the Board.
- 2. Modify Metropolitan's billing system to accommodate the new rate structure.

**Estimated Fiscal Impact:** \$693,000.

**Option #2**

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

**Staff Recommendation**

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Option #1

  
 Brian G. Thomas  
 Chief Financial Officer

2/26/2002  
Date

  
 Ronald R. Gastelum  
 Chief Executive Officer

2/26/2002  
Date

**Attachment 1 – Public Comments on Rates and Charges**

**Attachment 2 – Readiness-to-Serve Charge Tables**

**Attachment 3 – Resolution to Adopt Rates and Charges**

**Attachment 4 – Resolution to Adopt Readiness-to-Serve Charge**

**Attachment 5 – Resolution to Adopt Capacity Reservation and Peaking Surcharge**

**Attachment 6 – Administrative Code Changes (Showing Additions and Deletions)**

**Attachment 7 – Administrative Code Changes (In Final Form)**

**Summary of Public Comments  
Public Hearing on Recommended Rates and Charges  
to be Effective January 1, 2003**

February 11, 2002

1. Larry Gardner (Water Dept. Director, city of San Diego, a member of SDCWA)
  - City of San Diego Water Department serves 1.2 million customers, with 250,000 metered accounts, and is spending \$200 million over the next six years to expand its water treatment facilities.
  - City of San Diego operates nine surface water reservoirs with a total capacity of 430,000 acre-feet. There are currently 176,000 acre-feet in storage.
  - There is available local storage space and a willingness to use storage to reduce peak demands to Metropolitan's system. Seasonal shift program has worked well for San Diego, and there should be a replacement program with same benefits as seasonal shift.
  - It is important to find a way to create incentives for reservoir agencies to continue to shift demands from the summer months.
  - City of San Diego Water Department is interested in continuing to work toward a program that recognizes reservoir agency operating costs and can assist in deferring cost of system expansion.
  
2. Dennis Bostad (Operations Manager, Sweetwater Authority, a member of SDCWA)
  - Sweetwater serves 175,000 customers about 25,000 acre-feet per year.
  - Sweetwater operates surface water reservoirs with current available capacity of about 40,000 acre-feet and maintains a four-month reserve for emergency purposes.
  - Sweetwater has historically shifted about 10,000 acre-feet per year under Metropolitan's existing seasonal storage shift program.
  - There is unused storage capacity; therefore, local storage is an extremely viable proposal.
  - Sweetwater encourages Metropolitan to continue to work on developing a program that will encourage agencies to shift their demands using reservoir storage.
  
3. Mark Westin (General Manager, Helix Water District, member of SDCWA)
  - Helix has multiple pipelines and reservoirs and recently completed a \$48 million plant expansion including \$22 million worth of Ozone treatment facilities that allow the use of local water year-round.
  - There is available storage within Helix's 25,000 acre-feet of storage capacity and treatment capacity to be used in order to reduce peak demands.
  - Helix has historically shifted about 6,000 acre-feet per year of demands.

- A suitable replacement program featuring some discount or incentive is needed to encourage agencies to continue to operate storage reservoirs to shift demands.
4. Tom Kennedy (Operations Manager, Olivenhain Municipal Water District)
    - Olivenhain recently invested in a \$50 million membrane filtration plant
    - Olivenhain is also involved in \$25 million cooperative storage agreement for expansion of storage capacity.
    - These investments were made based on existing seasonal shift storage rates.
    - It is important to continue to think about different ways to encourage agencies to shift demands.
    - Demand management plan has promise and local storage is beneficial for all. Maximum usage of excess storage can maximize benefits for all.
  5. Bud Pocklington (Board of Directors, SDCWA)
    - Diamond Valley Lake demonstrates the value of storage
    - San Diego area agencies involved in \$1.0 billion project for emergency storage to develop an additional 90,000 acre-feet of storage
    - Important to continue dialogue regarding potential ways to continue to encourage agencies to shift demands using storage
  6. Dan McMillan (Padre Dam Municipal Water District)
    - The average cost of storage in Diamond Valley Lake is \$125 per acre-foot. Increase in storage makes economic sense and local storage is the cheapest alternative.
  7. Robert Campbell (Executive Assistant to the General Manager, SDCWA)
    - Submitted written comments:

The San Diego County Water Authority appreciates this opportunity to comment on Metropolitan's proposed rates and charges for fiscal year 2002/03.

Metropolitan's Board adopted a Rate Structure Action Plan including a concept for a proposed rate structure on December 12, 2000. On January 22, 2001, the Board approved a Work Plan establishing a process for implementing the proposed rate structure. The Work Plan directed Metropolitan's staff to complete a number of specific reports including, but not limited to, an update and revision of various key planning documents (e.g., Water Surplus and Drought Management Plan, Integrated Resources Plan); in addition, a specific commitment was made to examine methods of continuing the benefits of the shift seasonal storage and long terms storage programs. These reports and efforts have not been completed.

The objectives of Metropolitan's proposed rate structure as broadly stated by its Board in the Action Plan are to encourage cost-effective water recycling, conservation and water management, accommodate a water transfer market

and secure a greater level of financial commitment from Metropolitan's member agencies.

The Water Authority opposed the proposed rate structure for a number of reasons that have previously been presented to the Board. However, the Water Authority has continued to work with Metropolitan and its member agencies in an effort to develop implementation approaches that would be consistent with the objectives stated by Metropolitan's Board and also address the Water Authority's stated objectives and concerns.

Last fall, a new rate structure proposal that is the basis of the proposed rates and charges for fiscal year 2002/03 was presented to and approved by Metropolitan's Board. At that time, the Water Authority's representatives objected to the proposal on a number of grounds, including but not limited to the fact that the proposal was prepared and presented without any opportunity for participation or review by the Water Authority. Among other things, the Water Authority raised substantial objection to the elimination of the shift seasonal storage program and other concerns. In October, Metropolitan's Board approved the new proposal despite the Water Authority's objection.

Metropolitan's staff has stated that it will continue working to complete the reports required by the Work Plan and to address implementation issues raised by the Water Authority and other member agencies. Acknowledging those commitments and recognizing that implementation of the new rate structure is a work-in-progress, the Water Authority staff is prepared to recommend to its board support of the proposed rates and charges for fiscal year 2002/03, as identified in the resolutions of intention adopted at the January 2002 meeting of Metropolitan's Board. This recommendation is without prejudice to the ongoing issues and concerns regarding the long-term implementation program, and is subject to the following issues being addressed and resolved in the time period indicated:

1. Seasonal Shift Rate: The proposed rate structure eliminates the shift seasonal storage program. The Authority has been working with its own member agencies, Metropolitan and its member agencies to restore the benefits of the shift seasonal storage program. The Water Authority's board is very concerned about the elimination of the shift seasonal storage program. Therefore, the Water Authority staff cannot recommend that its board support the rates and charges for 2002/03 unless this issue is resolved in advance of the adoption of the proposed rates and charges for fiscal year 2002/03.
2. Water Supply and Infrastructure Costs: The exact allocations of water supply and infrastructure costs within the proposed rate structure are not yet known. In addition, discussions are ongoing to firm up long-term supply and delivery expectations of Metropolitan's member agencies. How



to create a nexus between those expectations and the cost of water supplies and infrastructure needed to meet them in the rate structure remains an issue for resolution.

The Water Authority and other Metropolitan member agencies have plans to diversify their sources of supply, and it is critical that these plans be taken into account as Metropolitan develops ongoing programs to meet member agency water supply reliability needs. The Water Authority will evaluate all current and future water supply programs proposed by Metropolitan on their respective merits.

Long-term implementation issues are manifest in various components of the proposed rate structure including but not limited to the allocation of Tier I and Tier 2 supply costs. Significant issues regarding annexation charges, readiness-to-serve charges and growth and new demand charges also remain unresolved. Although the new demand charge is not part of the rate proposal now before the Board, and while the growth charge is not planned to be implemented until 2006, if at all, it is imperative that impacts of such charges be analyzed and understood by Metropolitan's member agencies as soon as possible so that appropriate planning decisions may be implemented at the local level. These discussions are expected to be completed in the coming year.

3. System Capacity: One of the Objectives of the Rate Structure Action Plan is to accommodate a water transfer market. From a member agency point of view, discussions are ongoing with Metropolitan's staff regarding the extent to which Metropolitan's member agencies should be credited for payments made to pay for excess capacity in the Metropolitan's system to ensure that, if and when that member agency elects to use that capacity, they do not have to pay for it again. The Water Authority has protested the readiness-to-serve charge and corresponding standby charge in each of the last two years. The grounds for those protests remain the same and are hereby reasserted for the record. Providing credit is one method of providing currently lacking benefit to the Water Authority from facilities for which it is paying through the readiness-to-serve charge. The discussion regarding each of these issues is expected to be completed in the coming year
4. Preferential Rights: The Water Authority believes that the pending litigation regarding the meaning of Section 135 of Metropolitan's Act has a significant impact on the rate structure, particularly, that all member agencies should be required in the rate structure to pay the cost of any rights they have under Section 135. The Water Authority expects this issue to be addressed in the time line established by the outcomes of the litigation.

The Water Authority is extending a cooperative hand in its effort to support the proposed rates and charges for fiscal year 2002/03 in spite of these substantial concerns. We are hopeful that this effort will result in the adoption and implementation of a rate structure that achieves the objectives of Metropolitan as well as its member agencies. We appreciate the ongoing efforts of Metropolitan's staff and Board to work together with the Authority to address and resolve these issues in the necessary time frame.

**Table 1  
Fiscal Year 2002/03 READINESS-TO-SERVE CHARGE**

Member Agency	Current Rate Structure		RTS CHARGES		New Rate Structure		RTS CHARGES	
	3-Year Average Demands (Acres-Feet) <sup>1</sup>	RTS Share	6 months @ \$80 million per year (7/02-12/02)	Rolling Ten-Year Average Firm Deliveries (Acres-Feet) FY1991/92 - FY2000/01	RTS Share	6 months @ \$80 million per year (1/03-6/03)	Total RTS Charge Revenues	
Anaheim	18,709	1.24%	\$ 494,708	16,740	1.09%	\$ 436,321	\$ 931,029	
Beverly Hills	12,941	0.86%	342,189	13,163	0.86%	343,103	685,292	
Burbank	16,523	1.09%	436,905	14,708	0.96%	383,366	820,271	
Calleguas MWD	87,849	5.81%	2,322,926	91,345	5.95%	2,380,917	4,703,843	
Central Basin MWD	69,047	4.56%	1,825,759	73,661	4.80%	1,919,982	3,745,741	
Compton	3,725	0.25%	98,497	4,051	0.26%	105,578	204,075	
Eastern MWD	48,240	3.19%	1,275,575	55,412	3.61%	1,444,338	2,719,912	
Foothill MWD	7,961	0.53%	210,507	8,926	0.58%	232,652	443,159	
Fullerton	7,457	0.49%	197,180	7,879	0.51%	205,369	402,549	
Glendale	26,456	1.75%	699,556	26,344	1.72%	686,670	1,386,227	
Inland Empire Utilities Agency	34,369	2.27%	908,794	43,233	2.82%	1,126,878	2,035,672	
Las Virgenes MWD	18,014	1.19%	476,331	18,681	1.22%	486,920	963,251	
Long Beach	42,539	2.81%	1,124,827	41,736	2.72%	1,087,850	2,212,677	
Los Angeles	164,220	10.86%	4,342,348	178,632	11.64%	4,656,088	8,998,435	
Municipal Water District of Orange County	217,542	14.38%	5,752,302	206,341	13.45%	5,378,334	11,130,636	
Pasadena	14,824	0.98%	391,980	17,698	1.15%	461,312	853,292	
San Diego County Water Authority	407,484	26.94%	10,774,798	389,077	25.35%	10,141,374	20,916,172	
San Fernando	106	0.01%	2,803	221	0.01%	5,757	8,560	
San Marino	1,327	0.09%	35,089	1,186	0.08%	30,912	66,001	
Santa Ana	12,633	0.84%	334,045	12,626	0.82%	329,097	663,142	
Santa Monica	5,008	0.33%	132,423	8,834	0.58%	230,269	362,692	
Three Valleys MWD	58,267	3.85%	1,540,711	61,235	3.99%	1,596,106	3,136,817	
Torrance	20,311	1.34%	537,069	20,632	1.34%	537,790	1,074,859	
Upper San Gabriel Valley MWD	7,163	0.47%	189,406	8,400	0.55%	218,940	408,346	
West Basin MWD	153,155	10.12%	4,049,764	171,126	11.15%	4,460,439	8,510,204	
Western <sup>®</sup> MWD	56,860	3.76%	1,503,507	42,725	2.78%	1,113,639	2,617,146	
<b>MWD Total</b>	<b>1,512,730</b>	<b>100.00%</b>	<b>\$ 40,000,000</b>	<b>1,534,611</b>	<b>100.00%</b>	<b>\$ 40,000,000</b>	<b>\$ 80,000,000</b>	

**Table 2  
ESTIMATED NET 2002-03 READINESS-TO-SERVE (RTS) CHARGE**

Member Agency	Total RTS Charge	ESTIMATED STANDBY CHARGES					Estimated Net RTS Charge
		Gross Standby Charge Revenues	Billing Units (Parcels)	Administrative Charge	Delinquencies & Uncollectables	Net Standby Charge	
Anaheim	\$ 931,029	\$ 579,184	67,741	\$ 11,111	\$ 23,167	\$ 544,906	\$ 386,123
Beverly Hills	685,292	-	0	-	-	-	685,292
Burbank	820,271	399,804	28,155	4,618	15,992	379,194	441,077
Calleguas MWD	4,703,843	2,438,262	254,516	41,745	97,530	2,298,987	2,404,856
Central Basin MWD	3,745,741	3,543,797	339,444	55,675	141,752	3,346,371	399,370
Compton	204,075	161,454	18,100	2,969	6,458	152,027	52,049
Eastern MWD	2,719,912	2,656,323	382,755	62,778	106,253	2,487,292	232,621
Foothill MWD	443,159	311,937	30,344	4,977	12,477	294,482	148,677
Fullerton	402,549	358,927	33,513	5,497	14,357	339,073	63,476
Glendale	1,386,227	547,313	44,752	7,340	21,893	518,080	868,146
Inland Empire Utilities Agency	2,035,672	1,724,862	227,255	37,274	68,994	1,618,594	417,078
Las Virgenes MWD	963,251	499,205	62,167	10,196	19,968	469,040	494,211
Long Beach	2,212,677	1,075,629	88,456	14,508	43,025	1,018,095	1,194,582
Los Angeles	8,998,435	-	0	-	-	-	8,998,435
Municipal Water District of Orange County	11,130,636	7,253,603	619,279	115,783	330,347	6,807,472	4,323,164
Pasadena	853,292	431,868	36,817	6,039	17,275	408,554	444,737
San Diego County Water Authority	20,916,172	12,329,117	1,071,166	175,689	493,165	11,660,263	9,255,909
San Fernando	8,560	40,516	5,148	844	1,621	38,051	(29,491)
San Marino	66,001	40,945	4,969	815	1,638	38,492	27,509
Santa Ana	663,142	422,941	53,673	8,803	16,918	397,220	265,922
Santa Monica	362,692	-	0	-	-	-	362,692
Three Valleys MWD	3,136,817	1,860,911	152,409	24,998	74,436	1,761,477	1,375,340
Torrance	1,074,859	472,857	38,664	6,341	18,914	447,602	627,258
Upper San Gabriel Valley MWD	408,346	1,938,714	209,138	34,302	77,549	1,826,863	(1,418,517)
West Basin MWD	8,510,204	-	0	-	-	-	8,510,204
Western MWD	2,617,146	3,338,038	361,622	59,312	133,522	3,145,205	(528,059)
<b>MWD Total</b>	<b>\$ 80,000,000</b>	<b>\$ 42,426,207</b>	<b>4,130,083</b>	<b>\$ 691,614</b>	<b>\$ 1,737,252</b>	<b>\$ 39,997,341</b>	<b>\$ 40,002,659</b>

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

RESOLUTION \_\_\_\_\_

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**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA  
FIXING AND ADOPTING RATES AND CHARGES  
FOR FISCAL YEAR 2002/03 AND TO DIRECT  
FURTHER ACTIONS IN CONNECTION THEREWITH**

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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 stand-by 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, by Resolution 8796, adopted at its meeting held January 8, 2002, Metropolitan's Board resolved and determined 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; and

WHEREAS, the Budget, Finance and Investment Committee of the Board conducted a public hearing at its regular meeting on February 11, 2002, at which interested parties were given the opportunity to present their views regarding the proposed rates and charges; and

WHEREAS, notice of the proposed rates and charges and of a public hearing on the date and at the time and location specified in Resolution 8796 was published prior to the hearing in various newspapers of general circulation within Metropolitan's service area; 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 the Board of Directors of The Metropolitan Water District of Southern California hereby fixes and adopts the rates and charges contained in the Chief Executive Officer's recommendations, in order to 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.** 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 5.** 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 6.** 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 March 12, 2002.

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Executive Secretary  
The Metropolitan Water District  
of Southern California



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

RESOLUTION \_\_\_\_\_

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**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA  
FIXING AND ADOPTING  
A READINESS-TO-SERVE CHARGE FOR FISCAL YEAR 2002/03**

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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 hereto as Attachment 1; and

WHEREAS, by Resolution 8797, adopted at its meeting held January 8, 2002, Metropolitan's Board resolved and determined 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, and that the 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; and

WHEREAS, notice was given by Resolution 8797 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 on March 12, 2002, on the Board's intent to impose a readiness-to-serve charge as described in Resolution 8797; and

WHEREAS, the Budget, Finance and Investment Committee of the Board conducted a public hearing at its regular meeting on February 11, 2002, at which interested parties were given the opportunity to present their views regarding the proposed readiness-to-serve charge and the Engineer's Report; and

WHEREAS, notice of the proposed readiness-to-serve charge and of a public hearing on the date and at the time and location specified in Resolution 8797 was published prior to the hearing in various newspapers of general circulation within Metropolitan's service area; 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 the Board of Directors of Metropolitan hereby fixes and adopts a readiness-to-serve charge for fiscal year 2002/03.

**Section 2.** That the readiness-to-serve charge shall 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 7 below.

**Section 5.** That this Board finds that the 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 the readiness-to-serve charge shall be allocated among the member public agencies:

- (a) for the period from July 1, 2002, through December 31, 2002, in proportion to the average of Metropolitan water sales (in acre-feet) to each member public agency during the three fiscal-year period ending June 30, 1996; provided that long-term seasonal storage service, cyclic storage, and direct groundwater replenishment deliveries and water taken under the one-time drought storage agreement, Cooperative Storage Program through April 12, 1994, 1993 Demonstration Program and cooperative storage purchases paid for in fiscal year 1995/96 will be subtracted from the water sales calculation. Long-term seasonal storage service water is defined as water that a member public agency leaves in storage past the end of the fiscal year through avoided production during a period of availability (normally October 1 through April 30); and
- (b) for the period from January 1, 2003, through June 30, 2003, in proportion to the average of deliveries through Metropolitan's system (in acre-feet) to each member public agency 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 amount of the readiness-to-serve charge to be imposed on each member agency for fiscal year 2002/03 is as follows:

READINESS-TO-SERVE CHARGE FOR 2002/03

<b>Table 1</b>							
<b>Fiscal Year 2002/03 READINESS-TO-SERVE CHARGE</b>							
Member Agency	Current Rate Structure		RTS CHARGES	New Rate Structure		RTS CHARGES	Total RTS Charge Revenues
	3-Year Average Demands (Acre-Feet) <sup>1</sup>	RTS Share	6 months @ \$80 million per year (7/02-12/02)	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1991/92 - FY2000/01	RTS Share	6 months @ \$80 million per year (1/03-6/03)	
Anaheim	18,709	1.24%	\$ 494,708	16,740	1.09%	\$ 436,321	\$ 931,029
Beverly Hills	12,941	0.86%	342,189	13,163	0.86%	343,103	685,292
Burbank	16,523	1.09%	436,905	14,708	0.96%	383,366	820,271
Calleguas MWD	87,849	5.81%	2,322,926	91,345	5.95%	2,380,917	4,703,843
Central Basin MWD	69,047	4.56%	1,825,759	73,661	4.80%	1,919,982	3,745,741
Compton	3,725	0.25%	98,497	4,051	0.26%	105,578	204,075
Eastern MWD	48,240	3.19%	1,275,575	55,412	3.61%	1,444,338	2,719,912
Foothill MWD	7,961	0.53%	210,507	8,926	0.58%	232,652	443,159
Fullerton	7,457	0.49%	197,180	7,879	0.51%	205,369	402,549
Glendale	26,456	1.75%	699,556	26,344	1.72%	686,670	1,386,227
Inland Empire Utilities Agency	34,369	2.27%	908,794	43,233	2.82%	1,126,878	2,035,672
Las Virgenes MWD	18,014	1.19%	476,331	18,681	1.22%	486,920	963,251
Long Beach	42,539	2.81%	1,124,827	41,736	2.72%	1,087,850	2,212,677
Los Angeles	164,220	10.86%	4,342,348	178,632	11.64%	4,656,088	8,998,435
Municipal Water District of Orange County <sup>1</sup>	217,542	14.38%	5,752,302	206,341	13.45%	5,378,334	11,130,636
Pasadena	14,824	0.98%	391,980	17,698	1.15%	461,312	853,292
San Diego County Water Authority	407,484	26.94%	10,774,798	389,077	25.35%	10,141,374	20,916,172
San Fernando	106	0.01%	2,803	221	0.01%	5,757	8,560
San Marino	1,327	0.09%	35,089	1,186	0.08%	30,912	66,001
Santa Ana	12,633	0.84%	334,045	12,626	0.82%	329,097	663,142
Santa Monica	5,008	0.33%	132,423	8,834	0.58%	230,269	362,692
Three Valleys MWD	58,267	3.85%	1,540,711	61,235	3.99%	1,596,106	3,136,817
Torrance	20,311	1.34%	537,069	20,632	1.34%	537,790	1,074,859
Upper San Gabriel Valley MWD	7,163	0.47%	189,406	8,400	0.55%	218,940	408,346
West Basin MWD	153,155	10.12%	4,049,764	171,126	11.15%	4,460,439	8,510,204
Western <sup>®</sup> MWD	56,860	3.76%	1,503,507	42,725	2.78%	1,113,639	2,617,146
<b>MWD Total</b>	<b>1,512,730</b>	<b>100.00%</b>	<b>\$ 40,000,000</b>	<b>1,534,611</b>	<b>100.00%</b>	<b>\$ 40,000,000</b>	<b>\$ 80,000,000</b>

<sup>1</sup> Reflects consolidation in January 2001 of Coastal Municipal Water District and Municipal Water District of Orange County.

**Section 8.** That the allocation of the readiness-to-serve charge among member agencies set forth in Section 7 above is consistent with the per-acre-foot water rates imposed pursuant to Section 3 above.

**Section 9.** 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 a new demand charge has been imposed, 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 10.** That the 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 for 2002/2003, 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 11.** That except as provided in Section 17 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 12.** 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 re-imposition 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 13.** 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 14.** The proposed water standby charge includes the re-imposition 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 re-imposition 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 15.** 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 16.** That with respect to annexation standby charges, the Engineer's Report separates the special benefits from the general benefits and identifies each of the parcels on which a special benefit is conferred. No annexation standby charge on any parcel exceeds the reasonable cost of the proportional special benefit conferred on that parcel, as shown in the Engineer's Report.

**Section 17.** 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

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

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



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 11 above, any member agency requesting to have all or a portion of its readiness-to-serve charge obligation collected through standby charge levies within its territory as provided herein shall pay any portion not collected through net standby charge collections to Metropolitan within fifty days after Metropolitan issues an invoice for remaining readiness-to-serve charges to such member agency, as provided in Administrative Code Section 4507.

**Section 18.** On February 11, 2002, the Budget, Finance and Investment Committee of Metropolitan's Board conducted a public hearing at which interested parties presented their views regarding the proposed readiness-to-serve charge in accordance with Sections 4304(e) and 4304(k) of the Metropolitan's Administrative Code.

**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 May 14, 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 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 15 above. Any such water standby charge will be imposed as a means of collecting the readiness-to-serve charge.

**Section 20.** 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 21.** 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 22.** 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 22(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 23.** 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 24.** 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 25.** 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 26.** That this Board finds that the 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 27.** 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 28.** 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 29.** 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 March 12, 2002.

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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.

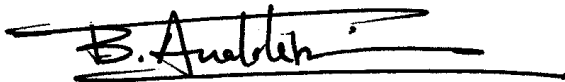
A major advantage of a firm revenue source, such as a RTS charge, is that it contributes to revenue stability during times of drought or low water sales. It affords Metropolitan additional security, when borrowing funds, that a portion of the revenue stream will be unaffected by drought or by rainfall.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

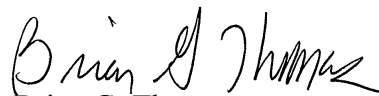
Metropolitan within the applicable member agency for FY 2002/03. The maximum standby charge would not exceed \$15 per acre of land or per parcel of less than one acre. The benefits described in this Engineer's Report exceed the recommended charge. A listing of all parcels in the service area and the proposed 2002/03 standby charge for each is available in the office of the Chief Financial Officer.

Prepared Under the Supervision Of:



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

Prepared Under the Supervision Of:



Brian G. Thomas  
Chief Financial Officer

**TABLE 1**

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

<b>Water Conveyance, Storage, Distribution and Supply Program</b>	<b>Estimated Potential Program Benefits for FY2001-02</b>	<b>Dollars Per Parcel of 1 Acre or Less</b>
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 <sup>1</sup>	106,444,563	25.24
Non Tax Supported Debt Service Costs for Conveyance and Distribution System <sup>2</sup>	99,266,654	23.54
<b>Sub-Total Capital Payments</b>	<b>303,687,883</b>	<b>72.02</b>
less Estimated Standby Charge Revenues	(42,426,207)	(10.06)
Remaining capital payments	261,261,677	61.96
<b>Demand Management Programs: Water Recycling, Groundwater Recovery and Water Conservation Projects</b>	<b>41,116,787</b>	<b>9.75</b>
Sub-Total Capital, Debt Service and Water Management Programs Costs not Paid by Standby Charge Revenues	302,378,464	71.71
<b>Total Benefits: Capital and Water Management Programs</b>	<b>\$344,804,670</b>	<b>\$81.77</b>

**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
<b>Water Recycling Projects</b>	<b>\$17,489,880</b>
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, <b>Phase 1</b>	
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	
<b>Santa Monica Dry-Weather Runoff Reclamation Facility</b>	
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
<b>Groundwater Recovery Projects</b>	<b>\$9,283,307</b>
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	
<b>Conservation Projects</b>	<b>\$14,343,600</b>
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	
<b>Total</b>	<b>\$41,116,787</b>

<i>Table 3</i>
<b>CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS</b>
<b>Description</b>
<b><u>Conveyance and Aqueduct Facilities</u></b>
LITTLE MORONGO CIRCULAR SIPHON
FAN HILL EXPERIMENTAL
FAN HILL EXPERIMENTAL SIPHON & TRANSITIONS
MECCA PASS TUNNELS
WHITewater TUNNELS
TUNNEL WATER INVESTIGATIONS
HAYFIELD TUNNEL NO. 2
CASA LOMA SIPHON- CENTER PORTION SCHEDULE 20C
BERNASCONI TUNNEL
CASA LOMA SIPHON- WEST PORTION SCHEDULE 20
COTTONWOOD TUNNEL
HAYFIELD TUNNEL NO. 1
COLORADO RIVER ACQUEDUCT & COVER CONDUIT, SCHEDULE 7
COLORADO RIVER ACQUEDUCT, CONCRETE LINED CANAL, SCHEDULE 7A
COLORADO RIVER TUNNEL
COPPER BASIN TUNNELS NO. 1 & 2
WEST EAGLE MOUNTAIN TUNNEL, WEST PORTION
COLORADO RIVER ACQUEDUCT, CONCRETE LINED CANAL, SCHEDULE 10
COLORADO RIVER ACQUEDUCT, 10 BOX SIPHONS, SCHEDULE 10A
COLORADO RIVER ACQUEDUCT, CIRC. SIPHON, SCHEDULE 10B
COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.14
COLORADO RIVER ACQUEDUCT, CIRCULAR SIPHON, SK. 14A
COLORADO RIVER ACQUEDUCT, CONDUIT SCHEDULE 1
COLORADO RIVER ACQUEDUCT, 3 SIPHONS, SCHEDULE 1A
COLORADO RIVER ACQUEDUCT, 2 HALF-CAP SIPHONS, SCHEDULE 1B
HALF CAP CIRC. SIPHONS SCHEDULE 18J
CONDUIT SCHEDULE 23
CIRCULAR SIPHONS SCHEDULE 20
PERRIS VALLEY SIPHON SCHEDULE 22
VAL VERDE TUNNEL
IRON MOUNTAIN TUNNEL, EAST PORTION
COLORADO RIVER ACQUEDUCT, LINED CANAL SCHEDULE 5
COLORADO RIVER ACQUEDUCT, 12 HALF-CAP SIPHONS, SCHEDULE 5A
COLORADO RIVER ACQUEDUCT CANAL SCHEDULE 13
COLORADO RIVER ACQUEDUCT, 6 BOX SIPHONS, SCHEDULE 13B
COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.13A
WHIPPLE MOUNTAIN TUNNEL
IRON MOUNTAIN TUNNEL, WEST PORTION
COLORADO RIVER ACQUEDUCT, LINED CANAL SCHEDULE 4A
COLORADO RIVER ACQUEDUCT, 10 HALF-CAP SIPHONS, SCHEDULE 4A
COXCOMB TUNNEL
WEST EAGLE MOUNTAIN TUNNEL, EAST PORTION
COACHELLA TUNNELS



**Table 3**

**CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS**

**Description**

COLORADO RIVER ACQUEDUCT , CONCRETE LINED CANAL, SCHEDULE 9	
COLORADO RIVER ACQUEDUCT, 8 BOX SIPHONS, SCHEDULE 9B	
COLORADO RIVER ACQUEDUCT & COVER CONDUIT SCHEDULE 9A	
COLORADO RIVER ACQUEDUCT, CONDUIT SCHEDULE 2	
COLORADO RIVER ACQUEDUCT, CONDUIT, SCHEDULE 3 (ACCTG RECORDS - LINED CANAL?)	
COLORADO RIVER ACQUEDUCT, 8 HALF-CAP SIPHONS, SCHEDULE 3B	
COLORADO RIVER ACQUEDUCT, 12 HALF-CAP SIPHONS, SCHEDULE 3A	
COLORADO RIVER ACQUEDUCT, 7 HALF-CAP SIPHONS, SCHEDULE 2B	
COLORADO RIVER AQUEDUCT, 10 HALF-CAP SIPHONS SCHEDULE 17B	
CUT-AND-COVER CONDUIT SCHEDULE 17;17A	
COLORADO RIVER ACQUEDUCT CANAL SCHEDULE 11	
COLORADO RIVER ACQUEDUCT, 9 BOX SIPHONS, SCHEDULE 11B	
COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.11A	
COLORADO RIVER ACQUEDUCT, CIRC. SIPHON, SCHEDULE 11C	
EAST EAGLE MOUNTAIN TUNNEL	
COLORADO RIVER AQUEDUCT, 1 BOX SIPHON, SCHEDULE HAYFIELD	
COLORADO RIVER ACQUEDUCT, LINED CANAL SCHEDULE 8	
COLORADO RIVER ACQUEDUCT, FRIDAY HALF-CAP SIPHON, SCHEDULE 6	
COLORADO RIVER ACQUEDUCT, HALF-CAP SIPHONS, SCHEDULE 8A	
COLORADO RIVER ACQUEDUCT, HALF-CAP SIPHONS, SCHEDULE 8B	
COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.15	
COLORADO RIVER ACQUEDUCT, 2 CIRCULAR SIPHONS, SK. 15A	
COLORADO RIVER ACQUEDUCT, 2 16 FT.,CIRCULAR SIPHONS, SK.15B	
CONDUIT SCHEDULE 18	
HALF CAP CIRC. SIPHONS SCHEDULE 18A	
COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.12	
COLORADO RIVER ACQUEDUCT, 2 CIRCULAR SIPHONS, SCHEDULE 12A	
COLORADO RIVER ACQUEDUCT, GENE INLET SIPHON	
COLORADO RIVER ACQUEDUCT, COPPER BASIN SIPHON	
CUT-AND-COVER CONDUIT, SCHEDULE 16	
COLORADO RIVER AQUEDUCT, 4 SIPHONS , SCHEDULE 16B	
COLORADO RIVER AQUEDUCT, 2 HALF-CAP SIPHONS, SCHEDULE 16A	
CONDUIT SCHEDULE 19	
HALF CAP CIRC. SIPHONS SCHEDULE 19A	
SAN JACINTO TUNNEL	
CASA LOMA SIPHON- EAST PORTION SCHEDULE 20A; 20B	
GATES, FOUR SAN JACINTO TUNNEL - CRA (ORG CONST)	
BLOWOFF AT WIDE CANYON SIPHON- CRA (INTERIM CONST)	
SAN JACINTO TUNNEL: ADDITIONAL GROUTING	
SAN JACINTO TUNNEL:SECOND BARREL OF CASA LOMA SIPHONS	
SAN JACINTO TUNNEL: EXPANSION OF SIPHONS (EAST OF TUNNEL)	
SAN JACINTO TUNNEL: EXPANSION OF SIPHONS (EAST OF TUNNEL)	
EAST BRANCH AQUEDUCT STUDIES	
CANAL CURB ALONG COLORADO RIVER AQUEDUCT	
CASA LOMA SIPHON- REPLACE FIRST BARREL	
SAND TRAP STUDY	
CASA LOMA PIPELINE-CONSTRUCT OVERFLOW BASIN & DRAIN LINE	
BERNASCONI TUNNEL NO.2, SCH. 311	
MODIFY STRUCTURE EAST WIDE CANYON SIPHON	
REPAIR DETERIORATED JOINTS IN CRA LAKEVIEW SIPHON	
INLAND FEEDER PROJECT	
<b>Sub-Total Conveyance and Aqueduct Facilities Benefits</b>	<b>\$ 32,268,888</b>

**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 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 AQUEDUCT- REPLACE SLIDE GATES  
 LA VERNE PIPELINE  
 LA VERNE PIPELINE  
 Station 1820+50 to San Diego County Line (SCH SD15SG)  
 Station 1553+50 to 1820+50 (SCH SD14SG)  
 Station 1331+00 to 1593+14 (SDH SD13PS)  
 Station 1094+93 to 1331+00 (SCH SD12PS)  
 Canal Outlet and Screening Structure (SCH 5)  
 Canal Outlet and Screening Structure (SCH 5)  
 LAKE VIEW PIPELINE- SCH. 310,312 AND 313  
 INLAND FEEDER AULD VALLEY PRESSURE CONTROL STRUCTURE  
 PERRIS CONTROL FACIL.& CON.TO STATE DWR FAC.  
 PERRIS CONTROL FACIL.& CON.TO STATE DWR FAC.  
 PERRIS CONTROL FACIL.& CON.TO STATE DWR FAC.  
 SAN DIEGO PIPELINE NO. 2 AND 3 -MODIFY INTERCONNECTION  
 LAKE PERRIS PUMPBACK FACILITY  
 RIALTO PIPELINE- DELIVERY FACILITIES FOR CYCLIC STORAGE  
 SAN DIEGO PIPE NO.5-SCH SD-16, SKINNER TO TEMECULA (SPEC NO. 1065)  
 LAKE VIEW PIPELINE-INSTALL CATHODIC PROTECTION-STATION 2210+00  
 LAKE PERRIS BY PASS PIPELINE- CLAIMS  
 SAN DIEGO PIPE NO.5-SCH SD-17, TEMECULA TO DELIVERY POINT (SPEC NO. 1066)  
 AULD VALLEY PIPELINE  
 AULD VALLEY PIPELINE



<b>Table 3</b>		
<b>CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS</b>		
<b>Description</b>		
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		
<b>Sub-Total Distribution Facilities Benefits</b>	<b>\$</b>	<b>66,997,766</b>
<b>Total Conveyance and Distribution Facilities Benefits</b>	<b>\$</b>	<b>99,266,654</b>

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

<b>Member Agency</b>	<b>Amount</b>
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
<b>Total</b>	<b>\$ 80,000,000</b>

**TABLE 5**  
**FISCAL YEAR 2002/03**  
**ESTIMATED STANDBY CHARGE REVENUE**

<b>Member Agencies</b>	<b>Total Parcel Charge</b>	<b>Number Of Parcels Or Acres</b>	<b>Gross Revenues (Dollars) <sup>1</sup></b>
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
<b>MWD Total (2)</b>		<b>4,216,728</b>	<b>\$42,426,207</b>
[1] Estimates per FY2001 actual receipts (2) Adjusted for inclusion of Coastal MWD			

Table 6			
Annexation	Parcel Number	Acres	Proposed Standby Charge (FY 01-02)
<b>Riverside County:</b>			
39th Fringe	359-210-026-4	13.73	126.72
	359-210-027-5	34.31	316.68
40th Fringe	949-020-003	15.95	142.22
	949-020-004	23.80	219.67
	949-020-006	15.00	138.45
66th Fringe (1)	911-060-010	5.60	38.86
	911-060-011	33.09	229.65
	911-080-001	0.75	6.94
	911-080-002	0.25	6.94
	911-080-003	1.75	12.15
	911-080-004	0.25	6.94
	911-080-005	2.25	15.62
	911-080-006	1.25	8.68
	911-080-007	0.25	6.94
	911-080-008	0.25	6.94
	911-080-009	12.24	84.95
	911-090-001	3.25	22.56
	911-090-002	0.50	6.94
	911-090-003	0.63	6.94
	911-090-004	1.25	8.68
	911-090-005	1.25	8.68
	911-090-006	0.25	6.94
	911-090-007	9.87	68.50
	911-090-008	1.00	6.94
	911-090-009	0.50	6.94
	911-090-010	0.50	6.94
	911-090-011	1.00	6.94
	911-190-006	0.06	6.94
	911-190-007	0.12	6.94
	911-190-009	0.22	6.94
	911-190-010	0.03	6.94
	911-190-011	0.15	6.94
	911-190-012	0.03	6.94
	911-190-013	0.22	6.94
	911-190-014	0.17	6.94
	911-190-015	0.17	6.94
	911-190-018	0.21	6.94
	911-190-019	0.18	6.94
	911-190-021	0.22	6.94
	911-190-022	1.06	7.36
	911-720-009	2.08	14.44
	911-720-010	30.00	208.20
	911-720-011	1.25	8.68
	911-720-012	0.63	6.94
	911-720-013	0.62	6.94
	911-720-014	7.50	52.05
	911-720-015	23.63	163.99
67th Fringe (1)	910-220-001	8.81	61.14
68th Fringe (1)	359-210-010	18.53	128.60
	359-210-011	19.24	133.53
	359-210-013	19.21	133.32
	359-540-001	18.68	129.64
	359-540-002	19.16	132.97
	359-540-003	19.28	133.80
	359-540-004	19.06	132.27
	359-540-009	19.90	138.11
	359-540-010	18.36	127.42
	359-540-014	19.77	137.20
	359-540-015	18.71	129.85
69th Fringe (1)	910-100-009	39.27	272.54
70th Fringe	910-220-001	8.81	61.14

<b>Table 6</b>			
<b>Annexation</b>	<b>Parcel Number</b>	<b>Acres</b>	<b>Proposed Standby Charge (FY 01-02)</b>
<b>Ventura County:</b>			
<b>Annexation</b>	<b>Parcel Number</b>	<b>Acres</b>	<b>Proposed Standby Charge (FY 01-02)</b>
<b>Calleguas 57</b>	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
<b>Calleguas 58</b>	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
<b>Calleguas 60</b>	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
<b>Calleguas 61</b>	229-0-010-100	0.08	9.58
	229-0-010-160	5.54	53.07
	229-0-010-170	54.89	525.85
<b>Calleguas 63</b>	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
<b>Calleguas 64</b>	Cancelled		
<b>Calleguas 65</b>	No Standby Charge		
<b>Calleguas 66</b>	183-0-100-220	6.59	63.13
<b>Calleguas 67 (1)</b>	183-0-010-335	11.23	107.58
	183-0-010-385	67.44	646.08
<b>Calleguas 68</b>	230-0-020-135	0.23	9.58
	230-0-020-195	21.54	206.35
<b>Calleguas 69</b>	215-0-061-045	8.72	83.54
	215-0-061-055	34.45	330.03
<b>Calleguas 70</b>	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
<b>Calleguas 72 (1)</b>	220-0-021-365	1.65	15.81
<b>Calleguas 74 (1)</b>	220-0-021-335	15.6	149.45
<b>Los Angeles County:</b>			
<b>Annexation</b>	<b>Parcel Number</b>	<b>Acres</b>	<b>Proposed Standby Charge (FY 01-02)</b>
<b>Mountain Cove (1)</b>	8684-006-001	40	370.8
	8684-006-002	40	370.8
<b>Note: (1) indicates anticipate completion prior to July</b>			

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

RESOLUTION \_\_\_\_\_

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**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA  
FIXING AND ADOPTING  
A CAPACITY RESERVATION CHARGE AND A PEAKING SURCHARGE  
FOR FISCAL YEAR 2002/03**

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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 stand-by 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 Board 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 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 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 Budget, Finance and Investment 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, by Resolution 8798, adopted at its meeting held January 8, 2002, Metropolitan's Board resolved and determined 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 in Resolution 8798, to be imposed on Metropolitan's member public agencies; and

WHEREAS, the Budget, Finance and Investment Committee of the Board conducted a public hearing at its regular meeting on February 11, 2002, at which interested parties were given the opportunity to present their views regarding the proposed capacity reservation charge and peaking surcharge; and



WHEREAS, notice of the proposed capacity reservation charge and peaking surcharge and of a public hearing on the date and at the time and location specified in Resolution 8798 was published prior to the hearing in various newspapers of general circulation within Metropolitan's service area; 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 the Board of Directors of Metropolitan hereby fixes and adopts a capacity reservation charge and a peaking surcharge, as described below, to be effective January 1, 2003.

**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 shall be a water rate of \$6,100 per cubic feet per second of the peak day capacity for capacity reserved by a member agency on Metropolitan, and that the peaking surcharge effective January 1, 2003, shall be \$18,300 per cubic feet per second (except for long-term seasonal storage service), for peak day deliveries in excess of the reserved capacity chosen by such member agency.

**Section 4.** That this Board finds that the 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 this Board finds and determines that the capacity reservation charge is a reasonable fee for capacity reservation of Metropolitan's distribution system.

**Section 7.** 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 year following the year in which Metropolitan determines that the member agency's maximum daily flow has exceeded its requested maximum daily flow requirement.

**Section 8.** That it is the intent of the Board that available peaking surcharge revenues collected by Metropolitan from a member agency for peaking which exceeds the greater of the member agency's requested capacity or 75% of the member agency's maximum day demand from May through September during the five years ending June 30, 2001, will be made available to such member agency to assist with the implementation of capital projects and other programs to avoid such peaking surcharges in the future. This provision is intended to ease the transition to the capacity reservation charge and peaking surcharge and will expire December 31, 2005.

**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 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 March 12, 2002.

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Executive Secretary  
The Metropolitan Water District  
of Southern California

**Division IV**

**WATER SERVICE POLICIES**

**Chapter 1**

**DEFINITIONS**

Sec.

- 4100. General
- 4101. Colorado
- 4102. State
- 4103. Treated Water
- 4104. Untreated Water
- 4105. Domestic and Municipal Purposes
- 4106. Interim Agricultural Water Program Purposes
- 4107. Groundwater Replenishment by Spreading
- 4108. Groundwater Replenishment by Injection
- 4109. In-Lieu Groundwater Replenishment
- 4110. Reservoir Storage
- 4111. In - Lieu Reservoir Storage
- 4112. Full Service
- 4113. ~~Recycled Water~~[Repealed]
- 4114. Seasonal Storage Service
- ~~4115. Local Projects Program Yield~~
- ~~4115. 4116. Project Sponsor~~[Repealed]
- 4116. [Repealed]
- 4117. Cooperative Storage Program
- 4118. Cooperative Storage Program Sale
- 4119. ~~4119.~~—Wheeling Service
- 4120. Purchase Order; Purchase Order Commitment
- 4121. Supply Rates
- 4122. Base Firm Demand; Initial Base Firm Demand
- 4123. System Access Rate
- 4124. Water Stewardship Rate
- 4125. System Power Rate
- 4126. Treatment Surcharge

**§ 4100. General.**

The definitions in this Chapter shall govern the meaning of the terms when used in this Division.

**§ 4101. Colorado.**

"Colorado" as a source of water shall mean water obtained by the District from the Colorado River through facilities owned by the District.

**§ 4102. State.**

"State" as a source of water shall mean water obtained by the District from facilities of the California State Water Project.

**§ 4103. Treated Water.**

"Treated water" shall mean water that is treated by filtration and disinfection at any District water treatment facility.

**§ 4104. Untreated Water.**

"Untreated water" shall mean water that is not treated water.

**§ 4105. Domestic and Municipal Purposes.**

"Domestic and municipal purposes" shall mean, but is not limited to, the use of water for all domestic, municipal, commercial, industrial, and recreational purposes.

**§ 4106. Interim Agricultural Water Program Purposes.**

"Interim Agricultural Water Program purposes" shall mean the service of water pursuant to the Interim Agricultural Water Program and this Division IV (~~Four~~) which is delivered and used for the growing or raising, in conformity with recognized practices of husbandry, for the purposes of commerce, trade, or industry, or for use by public educational or correctional institutions, of agricultural, horticultural, or floricultural products, and produced (1) for human consumption or for the market, or (2) for the feeding of fowl or livestock produced for human consumption or for the market, or (3) for the feeding of fowl or livestock for the purpose of obtaining their products for human consumption or for the market, such products to be grown or raised on a parcel of land having an area of not less than one acre utilized exclusively therefor.

(a) "Interim Agricultural Water Program purposes limited to the growing of field and nursery crops and row crops" shall mean the service of water related to the growing of crops generally planted and harvested annually or more frequently, and other Interim Agricultural Water Program purposes not included in the definitions of Sections 4106(b) and 4106(c).

(b) "Interim Agricultural Water Program purposes limited to the growing of trees and vines" shall mean the service of water limited to the growing of crops which are planted less frequently than annually in the expectation of ~~long-term~~ long-term yield therefrom.

(c) "Interim Agricultural Water Program purposes limited to the feeding of fowl or livestock" shall mean the service of water encompassing the raising of animals for human consumption or for the market or for the purpose of obtaining their products for human consumption or for the market.

#### **§ 4107. Groundwater Replenishment by Spreading.**

"Groundwater replenishment by spreading" shall mean the act of spreading or causing to be spread, water for the purpose of replenishing natural groundwater basins, without regard to subsequent use of the water.

#### **§ 4108. Groundwater Replenishment by Injection.**

"Groundwater replenishment by injection" shall mean the act of injecting or causing to be injected, water for the purpose of replenishing natural groundwater basins.

(a) "Direct Replenishment by Injection" shall mean groundwater replenishment that results from the act of injecting without regard to subsequent use of the water.

(b) "Seasonal ~~Shift~~ Storage by Injection" shall mean groundwater storage or replenishment that results from the act of injecting and is subject to the measurements as described in Section 4514 of this Division.

(c) "Seawater barrier groundwater replenishment" shall mean groundwater replenishment having as a principal purpose the injection of water for the purpose of maintaining groundwater barriers designed and intended to avoid the contamination of groundwater storage basins by the intrusion of seawater.

#### **§ 4109. In-Lieu Groundwater Replenishment.**

"In-lieu groundwater replenishment" shall mean maintenance or replenishment of water supplies in groundwater basins by reduction or elimination of extraction therefrom through the

substitution of deliveries of water to consumers from surface distribution facilities in lieu of such extraction.

**§ 4110. Reservoir Storage.**

"Reservoir storage" shall mean the act of storing water in surface reservoirs by delivering water directly into a reservoir.

**§ 4111. In-Lieu Reservoir Storage.**

"In-Lieu Reservoir Storage" shall mean the act of storing water in surface reservoirs by reducing or eliminating local supply outflow, through substitution of deliveries of water to consumers from surface distribution facilities in lieu of such withdrawals, thus conserving storage acquired from local sources.

**§ 4112. Full Service.**

———"Full service" shall mean service of water for domestic or municipal purposes that does not meet (or fall within) the criteria for other classes of service or special programs as defined in this Division and is not subject to reduction or interruption except as may be required by the application of ~~the~~ preferential rights ~~referred to in Section 135 of the Metropolitan Water District Act.~~

granted by

~~§ 4113. Recycled Water.~~

~~———"Recycled water," which is sometimes referred to as subpotable water, is water that does not meet criteria established by the State Department of Health Services for domestic use, and shall mean wastewater which has been collected in a sanitary sewer system and treated within a water reclamation plant, or untreated low quality water extracted from groundwater basins, both types of water being suitable for selected nonpotable uses. Section 135 of the MWD Act or by a drought determination made pursuant to Section 350 of the California Water Code.~~

~~§ 4113. [Repealed].~~

**§ 4114. Seasonal Storage Service.**

"Seasonal Storage service" shall mean service of water for groundwater replenishment by spreading or injecting, in-lieu groundwater replenishment, in-lieu reservoir storage, or for direct reservoir storage. Such service shall be governed by the provisions of Section 4514.

~~§ 4115. Local Projects Program Yield.~~

~~"Local Projects Program Yield" shall mean recycled water developed by a project in the District's Local Projects Program which is available for purchase by the District, and which can be resold by the District to meet a demand on the District for all beneficial uses.~~

~~§ 4116. Project Sponsor.~~

~~"Project Sponsor" shall mean a public agency that owns and operates, or proposes to own and operate, a project that will produce Local Project Program Yield. **Repealed.**~~

~~§ 4116. **Repealed.**~~

**§ 4117. Cooperative Storage Program.**

"Cooperative Storage Program" shall mean the program that provides a means for coordinating the District's carryover storage needs with storage capacity available to member public agencies, on the basis that the stored water will eventually be released to respective participating member public agencies pursuant to the regulations provided by Section 4517.

**§ 4118. Cooperative Storage Program Sale.**

"Cooperative Storage Program Sale" shall describe the transaction that occurs at the time a water delivery is made by the District under the Cooperative Storage Program. ~~That~~Any such delivery is deemed a sale to the receiving member public agency when delivered to it for storage, with payment to the District deferred as provided in subsection 4517(i). For administrative record keeping purposes, such a transaction will be recorded as an advance delivery until invoiced as a sale by the District at the time of release.

**§ 4119. Wheeling Service.**

"Wheeling Service" shall mean the use of Metropolitan's facilities, including its rights to use State Water Project facilities, to transport water not owned or controlled by Metropolitan to its member public agencies, in transactions entered into by Metropolitan for a period of up to one year.

**§ 4120. Purchase Order; Purchase Order Commitment.**

"Purchase Order" shall mean a member agency's written commitment to purchase a specified total volume of water from the District during a specified period, as provided in Section 4404, and "Purchase Order Commitment" shall mean 60% of a member agency's Initial Base Firm Demand times the number of years in the term of the Purchase Order. Deliveries of surplus system water supplies, including, but not limited to, deliveries under the Interim Agricultural



Water Program and Long-Term Seasonal Storage Service, will not count toward the Purchase Order Commitment.

**§ 4121 Supply Rates.**

“Supply Rate” shall mean (i) the Tier 1 Supply Rate and (ii) the Tier 2 Supply Rate, as applicable to a particular purchase of water pursuant to Section 4404. The Tier 1 and Tier 2 Supply Rates shall be set from time to time by the District to recover the cost of maintaining existing supplies and developing additional supplies of water.

**§ 4122. Base Firm Demand; Initial Base Firm Demand.**

“Base Firm Demand” shall mean the greater of a) the member agency’s Initial Base Firm Demand or b) the member agency’s ten-fiscal year rolling average of deliveries of water from The District for the most recent ten fiscal year period, excluding, in either case, water delivered under Long-Term Seasonal Storage Service and Interim Agricultural Water Program Service, and “Initial Base Firm Demand” shall mean the member agency’s highest annual delivery of water from The District, excluding water delivered under Long-Term Seasonal Storage Service, Interruptible Service, and Interim Agricultural Water Program Service, during any fiscal year from fiscal year 1989/90 through fiscal year 2001/02.

**§ 4123. System Access Rate**

“System Access Rate” shall mean a dollar per acre-foot water rate imposed by the District to recover a portion of the District’s costs associated with the conveyance and distribution system, including capital, operating and maintenance costs.

**§ 4124. Water Stewardship Rate**

“Water Stewardship Rate” shall mean a dollar per acre-foot water rate imposed by the District to recover a portion of the costs of The District’s financial commitment to conservation, water recycling, groundwater recovery and other water management programs approved by the Board.

**§ 4125. System Power Rate**

“System Power Rate” shall mean a dollar per acre-foot water rate imposed by the District to recover the melded cost of power necessary to pump water from the State Water Project and Colorado River through the conveyance and distribution system for The District's member public agencies.

**§ 4126. Treatment Surcharge**

“Treatment Surcharge” means a dollar per acre-foot water rate imposed by the District to recover the District’s costs of providing water treatment capacity and operations.

**[Chapter 2 – no amendments]**

**Chapter 3**

**WATER SALES REVENUE**

Sec.

4300. General

4301. ~~Formula for Allocation of Water Revenues~~

~~4302. Factors for Use in Allocation Formula~~

~~4303. Capital Costs for Use in Allocation Formula~~ Cost of Service and Revenue Requirement

~~[4302. Repealed]~~

~~[4303. Repealed]~~

4304. Apportionment of Revenues and Setting of Water Rates  
and Charges to Raise Firm Revenues

**§ 4300. General.**

The total annual amount of revenue to be raised through the sale of water at rates and charges established pursuant to Sections 4400 and 4401 shall be determined in accordance with the provisions of this chapter.

**§ 4301. ~~Formula for Allocation of Water Revenues.~~ Cost of Service and Revenue Requirement.**

(a) The District shall fix ~~water rates so that water sales revenues pay all of its annual operation and maintenance costs and that portion of its annual capital costs as the ratio of the quantity of water it has sold annually to its member public agencies bears to its total ultimate annual contractual entitlements to water. Tax and~~ rates for water such that anticipated water sales revenues, together with anticipated revenues from any water standby or availability of service charge (such as the readiness-to-serve charge or capacity reservation charge) or assessment, *ad valorem* tax revenues and other revenues pay the operating ~~annexation charge revenues may be used to pay remaining costs. Other funds and revenues available and not provided for in this chapter may be allocated to reduce required water revenues or taxes as determined by the Board,~~ expenses of the District, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by the District, and provide for the payment of the interest and principal of the District’s outstanding bonded

debt. Subject to the foregoing, such rates and charges shall reflect the costs of the District's major service functions, including water supply, conveyance, power, storage, distribution and treatment, to the greatest degree practicable.

(b) Notwithstanding the provisions in subsection (a) above, and amounts raised by *ad valorem* property taxation shall not exceed the limitations established by section 124.5 of the Act and, subject to those limitations, shall be not less than the approximate equivalent of the amounts levied for fiscal year 1990-91.

~~§ 4302. Factors for Use in Allocation Formula.~~

~~— The denominator in the ratio referred to in Section 4301 shall be 3,223,500 acre-feet of water. The numerator shall be the highest total deliveries of water in acre-feet sold by the District to all of its member public agencies in any completed fiscal year. Any increase in the numerator in any single year shall not exceed 10 percent.~~

~~§ 4303. Capital Costs for Use in Allocation Formula.~~

~~— (a) Capital costs referred to in Section 4301 shall include:~~

~~— (1) Capital payments made to the State under the District's State water service contract and the Devil Canyon-Castaic contract.~~

~~— (2) Debt service on bonds issued by the District, including both principal and interest, excluding however, debt service attributable to bonds the proceeds of which were used to finance construction of treatment plants.~~

~~— (3) Payments for the First San Diego Aqueduct.~~

~~— (4) Increases in restricted funds and working capital pursuant to Sections 5201 and 5202 of the Administrative Code.~~

~~— (5) The replacement portions of the minimum and variable operation, maintenance, power and replacement components of the Delta and Transportation Charges under the District's State water service contract and the Devil Canyon-Castaic contract.~~

~~— (6) Purchases of operating equipment.~~

~~— (7) Increases in appropriations for inventories of supplies.~~

~~(8) Expenditures for the cost of construction projects, property acquisition, and capital costs under the contract with Imperial Irrigation District, to the extent they are paid from the Pay As You Go Fund or the General Fund.~~

~~All other costs shall be considered operation and maintenance costs.~~

~~(b) Income to the District other than from water sales and tax revenues shall be credited to the amounts allocated by Section 4301 for payment from water sales revenues and from tax revenues, as follows:~~

~~(1) Interest income shall be credited against water sales and tax revenues in proportion to total cash receipts from water sales and taxes, respectively, in the most recently completed fiscal year.~~

~~(2) Income received from sales and leases of the District's real property shall be credited one half to water sales revenues and one half to tax revenues.~~

~~(c) All computations necessary to implement the policy stated in Section 4301 shall be on a cash basis.~~

~~(d) After the close of each fiscal year, the District shall conduct a review to determine the degree of actual compliance with the provision of this Chapter during the previous fiscal year. Based on such review, the District shall make an adjustment for the amount of any deficiency or surplus in the tax revenue calculations, which adjustment shall be made in the annual budget for the fiscal year next succeeding the year in which the review is made. In the event such adjustment would result in a severe fluctuation in the District's tax rates, such adjustment may be spread over a period not exceeding three fiscal years.~~

**§ 4304. Apportionment of Revenues and Setting of Water Rates and Charges to Raise Firm Revenue.**

(a) Not later than at its December meeting the Chief Executive Officer shall present to the ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee of the Board determinations of the total revenues and of the revenues to be derived from water sales and firm revenue sources, if any, required during the fiscal year beginning the following July 1 as determined by the Chief Executive Officer in accordance with current Board policies.

(b) Not later than at its December meeting the ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee shall consider the Chief Executive Officer's determinations made pursuant to Section 4304(a).

(c) Not later than at its January meeting the Chief Executive Officer shall present to the ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee recommendations of rates, including the System Access Rate, Water Stewardship Rate, System Power Rate, Treatment Surcharge, and the Supply Rates, for the various classes of water service to become effective the following January 1, which rates shall be the Chief Executive Officer's determination, made in accordance with current Board policies, of the rates necessary to produce substantially the revenues to be derived from water sales during the fiscal year beginning the following July 1 which the ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee has determined to be necessary.

(d) The Chief Executive Officer shall also present to the ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee at its January meeting recommendations regarding the imposition of a water standby charge or an availability of service charge (such as the readiness-to-serve charge and capacity reservation charge)~~to become effective the following July 1~~, which charge shall be the Chief Executive Officer's determination, made in accordance with current Board policies, of the charge necessary to produce substantially the revenues to be derived from firm revenue sources, if any, exclusive of taxes, during the fiscal year beginning the following July 1 which the ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee has determined to be necessary.

(e) Not later than its January meeting the ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee shall set a time or times for, and shall thereafter hold, one or more meetings of the ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee to be held prior to its regular March meeting at which interested parties may present their views regarding the proposed water rates to said committee. The Budget, Finance and Investment Committee shall direct the Chief Executive Officer to cause the publication of a notice of such public hearing to be published in newspapers of general circulation within the District's service area. Such notice shall be published not less than 10 days prior to the public hearing.

(f) The ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee shall also make at its January meeting a preliminary determination of the type of firm revenue, if any, to be raised for the following fiscal year and recommend to the Board a form of resolution of intention to impose either a water standby charge or an availability of service charge sufficient to raise such firm revenue, exclusive of taxes, ~~to become effective the following January 1~~, to implement such determination. The committee shall also recommend to the Board that it (1) authorize and direct the Chief Executive Officer to satisfy all notice requirements for implementation of such charge and (2) set dates, times and locations for, and thereafter hold, prior to the regular April meeting, one or more adjourned meetings of the Board, for public hearings and consideration of the imposition of the charge, at which interested parties may present their views regarding the proposed charge. ~~In the alternative, the notice of the dates, times and locations of the public hearings may be stated in the resolution of intention.~~

(g) At its regular March meeting the ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee shall make its determination regarding the water rates to become effective the following January 1 and shall recommend said water rates to the Board at the Board's regular March meeting.

(h) At its March meeting, the Board shall establish water rates for deliveries beginning the following January 1.

~~\_\_\_\_\_~~(i) Not later than its regular May meeting, the ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee shall make its final determination regarding the water standby charge or other firm revenue charge, if any, for the fiscal year beginning the following July 1 to become effective the following January 1, and shall recommend such charge, if any, to the Board at its regular May meeting.

(j) Not later than its May meeting, the Board shall consider and take action upon the recommendations, if any, of the ~~Audit, Budget and Finance~~Budget, Finance and Investment Committee regarding a firm revenue source, exclusive of taxes, for the fiscal year beginning the following July 1 to be effective the following January 1.

(k) Proposals for changes in water rates to become effective at times other than on January 1 shall require adequate notice to the public and a hearing before such proposals are acted upon by the Board, unless the Board finds that an immediate change in water rates is urgent.

## Chapter 4

### CLASSIFICATION AND RATES

Sec.

4400. Basic Statement

4401. Rates

4402. Readiness-to-Serve Charge

4403. ~~New Demand Charge~~

~~4404. Connection Maintenance Charge~~Capacity Reservation Charge and Peaking Surcharge

4404. Purchase Orders

4405. Wheeling Service

#### § 4400. Basic Statement.

The rates and charges set forth herein, so far as practicable, shall result in revenue to meet the obligations set forth in Section 134 of the Metropolitan Water District Act.

§ 4401. Rates.

(a) The rates per acre-foot for water sold and delivered for each class of service on order of any member public agency for use therein shall be as follows:

(1) For ~~Full Service (All~~ water ~~delivered~~ that does not meet criteria for other classes of service or special programs as defined in this ~~Division.~~)

(1) Division, each of the following, as applicable:

System Access Rate:

<u>Effective Date</u>	<u>Untreated Water</u>	<u>Treated Water</u>
<u>1/1/01</u>	<u>\$349.00</u>	<u>\$431.00</u>
<u>1/1/02</u>	<u>\$349.00</u>	<u>\$431.00</u>

Effective Date      Rate

1/1/2003              \$141.00

Water Stewardship Rate

Effective Date      Rate

1/1/2003              \$23.00

System Power Rate

Effective Date      Rate

1/1/2003              \$89.00

Treatment Surcharge (Applicable to treated water)

Effective Date      Rate

1/1/2003              \$82.00

Supply Rate

Tier 1 Supply Rate--The Tier 1 Supply Rate shall apply to water purchases which, in the aggregate for any calendar year, are less than or equal to 60 percent (or, if the member agency purchasing the water has executed a Purchase Order, 90 percent) of the Base Firm Demand of such member agency.

Effective Date      Rate

1/1/2003              \$73.00

Tier 2 Supply Rate--The Tier 2 Supply Rate shall apply when a member agency's cumulative total of full service deliveries for the calendar year exceeds 60 percent of the member agency's Base Firm Demand, or 90 percent of Base Firm Demand for member public agencies that execute a Purchase Order.

Effective Date      Rate

1/1/2003              \$154.00

\_\_\_\_\_ (2) For (2) For Long-Term Seasonal Storage Service (All water delivered in accordance with the Seasonal Storage Service Program as described in this Division and the most current User Handbook for Seasonal Storage Service.)

<u>Effective Date</u>	<u>Untreated Water</u>	<u>Treated Water</u>
<u>1/1/00 (Long term)</u>	<u>\$233.00</u>	<u>\$290.00</u>
<u>1/1/01 (Shift)</u>	<u>\$277.00</u>	<u>\$334.00</u>
<u>1/1/02 (Long term)</u>	<u>\$233.00</u>	<u>\$290.00</u>
<u>1/1/02 (Shift)</u>	<u>\$288.00</u>	<u>\$345.00</u>

\_\_\_\_\_ (3) For Recycled Service

Effective Date                      Rate



<del>1/1/01</del>	<del>\$113.00</del>
<del>1/1/02</del>	<del>\$113.00</del>

~~Effective (4) For Interim Agricultural Water Program Service~~

<del>Effective Date</del>	<del>Untreated Water</del>	<del>Treated Water</del>
<del>1/1/01</del>	<del>\$236.00</del>	<del>\$294.00</del>
<del>1/1/02</del>	<del>\$236.00</del>	<del>\$294.00</del>

~~(5) For Wheeling Service~~

~~Wheeling rates for non-firm service are prepared on a case-by-case basis as needed.~~

~~(b) The Connection Maintenance Charge is \$50/cfs of connected capacity per month, not to exceed a maximum charge per connection of \$5,000 per month.~~  
~~1/1/2003                      \$233.00                      \$289.00~~

(3) For Interim Agricultural Water Program Service (All water delivered in accordance with the Interim Agricultural Water Program as described in this Division.)

<u>Effective Date</u>	<u>Untreated Water</u>	<u>Treated Water</u>
<u>1/1/2003</u>	<u>\$236.00</u>	<u>\$294.00</u>

~~(e)(b)~~ The rates for water established by Section 4401(a) shall not apply to water sold and delivered by the District to any purchaser other than a member public agency; and said rates for water shall not apply to water sold and delivered by the District for any use outside the District, or to water sold and delivered by the District for any use within the District in substitution for water used outside the District, regardless of whether or not such water be purchased by, or delivered pursuant to the order of, any member public agency; but such water shall be sold and delivered pursuant to such contract and upon such terms and conditions as the Board shall authorize and determine for each such transaction.

(c) For purposes of agreements existing as of January 1, 2003 under the Local Resource Program, Local Projects Program, Groundwater Recovery Program and other similar programs, references to the "full service treated water rate," "treated non-interruptible water rate" or "other prevailing rate" or to the "reclaimed water rate" or "recycled service rate" shall be deemed to

refer to the sum of the System Access Rate, Water Stewardship Rate, System Power Rate, the expected weighted average of Tier 1 Supply Rate and Tier 2 Supply Rate (equal to the estimated sales revenues expected from the sale of water at the Tier 1 and Tier 2 Supply Rates divided by the total District sales in acre-feet expected to be made at the Tier 1 and Tier 2 Supply Rates), the Capacity Reservation Charge expressed on a dollar per acre-foot basis and Treatment Surcharge.

**§ 4402. Readiness-to-Serve Charge.**

~~(a) The readiness-to-serve charge shall be set by the Board from time to time to recover the principal and interest payments on non-tax supported debt service that has been or will be issued to fund capital improvements necessary to meet the continuing reliability and water quality needs associated with current demand costs of emergency system storage and the cost of system conveyance capacity for peak and standby use not recovered by property tax revenue. The readiness-to-serve charge will be allocated among the member public agencies (i) through December 31, 2002, in proportion to the rolling average of Metropolitan water sales in acre-feet to each member public agency:~~

~~(in acre-feet) to each member public agency during the three fiscal year period ending June 30, 1996; provided that long-term seasonal storage service, cyclic storage, and direct groundwater replenishment deliveries and water taken under the~~

~~———— (b) In no event shall any member public agency’s readiness-to-serve charge be based on less than the following minimum sales (in acre feet) for each member public agency:~~

<del>Member Public Agency</del>	<del>Minimum Readiness-To-Serve Sales (AF)</del>
<del>City of Anaheim</del>	<del>8,386.9</del>
<del>City of Beverly Hills</del>	<del>6,393.2</del>
<del>City of Burbank</del>	<del>9,790.4</del>
<del>Calleguas MWD</del>	<del>43,534.3</del>
<del>Central Basin MWD</del>	<del>32,130.0</del>
<del>Inland Empire Utilities Agency</del>	<del>15,200.9</del>
<del>City of Compton</del>	<del>2,512.9</del>
<del>Eastern MWD</del>	<del>24,810.5</del>
<del>Foothill MWD</del>	<del>3,920.4</del>
<del>City of Fullerton</del>	<del>3,834.4</del>
<del>City of Glendale</del>	<del>13,228.0</del>
<del>Las Virgenes MWD</del>	<del>8,796.2</del>
<del>City of Long Beach</del>	<del>18,902.9</del>
<del>City of Los Angeles</del>	<del>113,942.2</del>
<del>MWD of Orange County</del>	<del>99,153.3</del>
<del>City of Pasadena</del>	<del>5,083.2</del>
<del>San Diego CWA</del>	<del>203,910.3</del>
<del>City of San Fernando</del>	<del>105.4</del>

City of San Marino	663.5
City of Santa Ana	6,072.6
City of Santa Monica	2,508.6
Three Valleys MWD	28,908.1
City of Torrance	10,155.7
Upper San Gabriel Valley MWD	4,462.6
West Basin MWD	74,669.7
Western MWD of Riverside Co.	27,033.7
TOTAL	768,109.6

~~(c) Deliveries of Metropolitan water which are in excess of a member public agency's new demand charge base will not be used in calculating such member public agency's readiness-to-serve charge. one-time drought storage agreement, Cooperative Storage Program through April 12, 1994, 1993 Demonstration Program and cooperative storage purchases paid for in fiscal year 1995-96 shall be subtracted from the water sales calculation, and (ii) beginning January 1, 2003, in proportion to the average of deliveries (including exchanges and transfers) through Metropolitan's system (in acre-feet) to each member public agency during the ten-year period ending June 30, 2001; and thereafter as a ten-year rolling average; provided that Metropolitan sales of reclaimed water under the Local Projects Program and groundwater under the Groundwater Recovery Program and deliveries under Long-Term Seasonal Storage Service and Interim Agricultural Water Service shall not be included in the water deliveries calculation.~~

~~(d)~~(b) The readiness-to-serve charge shall be due monthly, quarterly or semiannually, as agreed upon by Metropolitan and the member public agency. If a standby charge is collected on behalf of a member public agency, the member public agency will be credited for the amount of net collections. This charge is subject to the provisions of Sections 4507 and 4508.

~~(e)~~(c) The Chief Executive Officer shall establish and make available to member public agencies procedures for administration of the readiness-to-serve charge, including filing and consideration of applications for reconsideration of their respective readiness-to-serve charge. The Chief Executive Officer shall review any applications for reconsideration submitted in a timely manner. The Chief Executive Officer shall also establish reasonable procedures for the filing of appeals from his determination.

~~§ 4403. New Demand Charge.~~

~~(a) The new demand charge shall be set by the Board from time to time to recover the capital costs associated with meeting new demands on Metropolitan's system.~~

~~(b) Each member public agency's new demand charge base (in acre feet) is established as follows:~~

<u>Member Public Agency</u>	<u>Base Amount (AF)</u>
City of Anaheim	24,944
City of Beverly Hills	13,614
City of Burbank	20,446
Calleguas MWD	99,025
Central Basin MWD	120,257
Inland Empire Utilities Agency	76,265
City of Compton	5,206
Eastern MWD	55,603
Foothill MWD	9,610
City of Fullerton	12,253
City of Glendale	26,456
Las Virgenes MWD	18,525
City of Long Beach	42,539
City of Los Angeles	358,128
MWD of Orange County	284,819
City of Pasadena	22,638
San Diego CWA	559,220
City of San Fernando	903
City of San Marino	1,327
City of Santa Ana	15,840
City of Santa Monica	8,889
Three Valleys MWD	69,664
City of Torrance	20,311
Upper San Gabriel Valley MWD	71,899
West Basin MWD	167,634
Western MWD of Riverside Co.	78,260
<b>TOTAL</b>	<b>2,184,095</b>

~~(c) Beginning with fiscal year 1995-96, a new demand charge will be incurred upon Metropolitan's determination that a member public agency's historic average deliveries of water have exceeded such member public agency's new demand charge base. Upon payment of any new demand charge by a member public agency, that member public agency's new demand charge base will be increased by an amount equal to the quantity of water on which the new demand charge was paid.~~

~~(d) Deliveries of Metropolitan water which are in excess of a member public agency's new demand charge base, as shown in Section 4403(b), will not be used in calculating such member public agency's readiness to serve charge.~~

~~—(e) The new demand charge may be remitted over a period of up to 15 years, including an interest charge, and is subject to the provisions of Sections 4507 and 4508. The interest charge will be based on Metropolitan's weighted average cost of debt at the time the new demand charge is determined, as shown in the most recent Annual Financial Report.~~

~~—(f) The Chief Executive Officer shall establish and make available to member public agencies procedures for administration of the new demand charge, including filing and consideration of applications for reconsideration of their respective new demand charge. The Chief Executive Officer shall review any applications for reconsideration submitted in a timely manner. The Chief Executive Officer shall also establish reasonable procedures for the filing of appeals from his determination.~~

#### ~~§ 4404. Connection Maintenance Charge.~~

~~—(a) The connection maintenance charge shall be due monthly, and is subject to the provisions of Sections 4507 and 4508.~~

~~—(b) For purposes of Section 4401(b), connected capacity shall mean the peak week average flow through each connection, measured in cubic foot per second (cfs), during the five-year period immediately preceding the beginning of the current fiscal year, but in no case will connected capacity be less than 10% of the rated capacity and not more than the rated capacity of the meter.~~

~~(1) Peak week shall mean the meter reading period with the highest average flows; the meter reading period is the time interval between two consecutive meter readings.~~

~~(2) Flows will be rounded up to the nearest .5 cfs.~~

~~—(c) The Chief Executive Officer shall establish and make available to member public agencies procedures for administration of the connection maintenance charge, including filing and consideration of applications for reconsideration of their respective connection maintenance charge. The Chief Executive Officer shall review any applications for reconsideration submitted in a timely manner. The Chief Executive Officer shall also establish reasonable procedures for the filing of appeals from his determination.~~

#### ~~§4403. Capacity Reservation Charge and Peaking Surcharge.~~

~~(a) The capacity reservation charge and peaking surcharge shall be set by the Board from time to time. The capacity reservation charge shall be set to recover the cost of distribution capacity that is used for peaking. The capacity reservation charge will be payable by each member agency for system capacity (on a per cubic foot per second basis) requested by the member agency. The peaking surcharge shall be levied on the member agency's maximum daily~~

flow (excepting for that flow associated with the delivery of Long-Term Seasonal Storage Service) during May 1 through September 30 that exceeds its requested capacity amount.

(b) The capacity reservation charge shall be due monthly, quarterly or semiannually, as agreed upon by Metropolitan and the member public agency. The peaking surcharge will be levied one time each year for flows (excepting for that flow associated with the delivery of Long-Term Seasonal Storage Service) in the preceding year that exceed a member public agency's requested capacity and will be payable within 60 days of the District's invoice for the peaking surcharge. The peaking surcharge will be levied on the maximum amount of flow (excepting for that flow associated with the delivery of Long-Term Seasonal Storage Service) that exceeds the requested capacity only. A member public agency may increase or decrease its requested capacity amount annually.

(c) For the three years ending December 31, 2005, Peaking Surcharge revenues recovered from the member agency for use of system capacity that exceed the greater of the member agency's requested capacity or 75% of the member agency's maximum day demand for the five years ending June 30, 2001, shall be made available to member agencies (in proportion to such member agency's payment of the Peaking Surcharge) to be used for the purposes of defraying the costs of capital investments that will reduce peak day demands on Metropolitan's system. Such monies will be made available during the year following the year in which the Peaking Surcharge was incurred. This provision shall expire and be of no further effect on December 31, 2005.

(d) Each member agency shall provide the Chief Executive Officer with written notice of its requested capacity amount (in cubic feet per second) to be in effect for the subsequent calendar year no later than October 31 of each year. If a member agency fails to provide such notice by such date, the preceding year's request shall apply.

#### **§ 4404 Purchase Orders.**

(a) The Chief Executive Officer shall establish and make available to member public agencies the form of the Purchase Order and procedures for its administration. The Chief Executive Officer shall establish a deadline by which all Purchase Orders shall be executed by member public agencies that desire to enter into such agreements with the District. Following the deadline established by the Chief Executive Officer, no member public agencies will be allowed to execute Purchase Orders.

(b) The term of the initial Purchase Orders shall be from January 1, 2003 through and including December 31, 2012. All Purchase Orders in effect shall be on substantially the same terms and for the same term. Any amendments to Purchase Orders shall be subject to approval by the Board.

(c) Each member public agency executing a Purchase Order shall commit to purchase at least its Purchase Order Commitment during the term of the Purchase Order.

(d) A member public agency that executed a Purchase Order shall be permitted annually to purchase up to 90% of its Initial Base Firm Demand at the Tier 1 Supply Rate for the term of the Purchase Order.

(e) When a member public agency has purchased at least its Purchase Order Commitment the minimum purchase requirement of the Purchase Order will be fulfilled.

(f) If, upon expiration of the term of the Purchase Order, a member agency has purchased an amount of water less than its Purchase Order Commitment, the member public agency shall pay Metropolitan an amount equal to the difference between its Purchase Order Commitment and its actual purchases during the term of the Purchase Order, times the Tier 1 Supply Rate in effect in the last year of the Purchase Order term.

(g) All water deliveries under a Purchase Order shall be subject to the operational conditions and constraints contained in this Division. In addition, all billings and payments for such water shall be subject to the provisions of this Division in the same manner as other water delivered by Metropolitan.

#### **§ 4405. Wheeling Service.**

(a) Subject to the Chief Executive Officer's determination of available system capacity, Metropolitan will offer ~~"firm" wheeling service, with reliability on the same basis as noninterruptible water service, and "non-firm", interruptible wheeling service, which will be on an "as available" basis. The non-firm rate is established for the movement of non-Metropolitan water in order to meet long-term storage requirements that benefit the Metropolitan service area, and the calculation of the non-firm wheeling rates appropriately reflects the cost of providing this interruptible class of wheeling~~ service. The determination whether there is unused capacity in Metropolitan's conveyance system, ~~and in particular facilities of the conveyance system,~~ shall be made by the Chief Executive Officer on a case-by-case basis in response to particular ~~requests for wheeling.~~

~~————(b) The rates for wheeling service shall be as set forth in Section 4401. The wheeling rates shall be reduced to reflect the regional water supply benefits provided to Metropolitan's service area, if any, on a case-by-case basis in response to a particular wheeling transaction. The regional benefits, if any, shall be calculated by Metropolitan in the same manner as such benefits are calculated for use in the Local Projects and Groundwater Recovery Program.~~

~~————(c) The rates for wheeling service set forth in Section 4401 shall apply only to wheeling by member agencies in non-shortage periods. The rates for wheeling by member agencies during~~

~~shortage periods, or for non-member agencies, shall be established by the Board on a case-by-case basis in response to specific~~ requests for wheeling.

(b) The rates for wheeling service shall include the System Access Rate, Water Stewardship Rate and, for treated water, the Treatment Surcharge, as set forth in Section 4401. In addition, wheeling parties must pay for their own cost for power (if such power can be scheduled by the District) or pay the District for the actual cost (not system average) of power service utilized for delivery of the wheeled water. Further, wheeling parties shall be assessed an administration fee of not less than \$5,000 per transaction.

**Chapter 5**

**WATER SERVICE REGULATIONS - GENERAL**

Sec.

- 4500. Adoption of Regulations
- 4501. Obligation to Pay for Water Delivered
- 4502. Liability and Indemnification
- 4503. Suspension of Deliveries
- 4504. Rates of Flow
- 4505. Estimates of Water Requirements and Schedules of Deliveries
- 4506. Metering of Water
- 4507. Billing and Payment for Water Deliveries
- 4508. Additional Payment and Reporting in the Event of Delinquency in Payment for Water
- 4509. Water Restricted to Use Within the District
- 4510. Application of Regulations
- 4511. Notices
- 4512. Sales Subject to System and Water Availability
- 4513. Equal Opportunity Requirements
- 4514. Seasonal Storage Service
- [4515. Repealed]
- ~~4516. Local Projects Program~~[4516. Repealed]
- 4517. Cooperative Storage Program

**§ 4500. Adoption of Regulations.**

Subject to all applicable provisions of the Metropolitan Water District Act, as said Act may be amended from time to time, the following regulations shall govern the service of water by the District.

**§ 4501. Obligation to Pay for Water Delivered.**



(a) All water delivered through any service connection to a member public agency for use within the member public agency shall be supplied in accordance with the provisions of the Metropolitan Water District Act and the rules and regulations of the District governing such service, as set forth in Chapter 5 and Chapter 9. The District shall bill the member public agency for all water delivered through the service connection, and the member public agency shall pay the District for all water so delivered at the rate or rates and within the period from time to time fixed by the Board.

(b) In the event that any member public agency shall request in writing a delivery of water directly by the District into any distribution system owned by some other agency which serves water within the corporate area of the member public agency, the member public agency shall be obligated to pay the District for all water so delivered at the rates and under the conditions from time to time fixed by the Board; and such delivery into such other system shall constitute delivery to such member public agency for the purpose of these regulations.

(c) Member public agency system losses of District-supplied water are losses that are inherent in the operation of a water distribution system. These include losses occasioned by evaporation, seepage, spillage, leakage, pipeline failure, or system testing. Such losses shall be charged to a member public agency in direct proportion to the classes of service in which they occur and at the rates prescribed in Section 4401 for water sold and delivered for each such class of service. Such system losses shall not affect a member public agency's obligation to sustain an interruption or reduction in the delivery of water as set forth in this Code.

#### **§ 4502. Liability and Indemnification.**

Neither the District nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water supplied or delivered by the District to a member public agency after such water has been delivered to such member public agency; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water beyond the point of such delivery; and the member public agency shall indemnify and hold harmless the District and its officers, agents, and employees from any such damages or claims of damages, and shall reimburse the District for costs of repair of the District's facilities and other damages resulting from the operations of the member public agency. Neither the member public agency nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water prior to such water being delivered to the member public agency; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water prior to its delivery to such member public agency, excepting, however, claims by the District for costs of repair to the District's facilities and other damages resulting from the operations of the member public agency; and the District shall indemnify and hold harmless the

member public agency and its officers, agents, and employees from any such damages or claims of damages, except claims by the District for costs of repair of the District's facilities and other damages resulting from the operations of the member public agency.

**§ 4503. Suspension of Deliveries.**

Whenever repairs or maintenance of the District's system, in the opinion of the Chief Executive Officer of the District, shall require suspension of delivery of water at any point or points, such delivery may be suspended without liability on the part of the District; provided, that except in cases of emergency, as determined by the Chief Executive Officer, notice of such suspension of service shall be given to the affected member public agency in advance of such suspension.

Each member agency should have a ~~seven-day~~seven-day supply of water in case of an interruption in Metropolitan deliveries. Except in cases of emergency, the District will notice long term (over seven days) shutdowns at least one year in advance and produce a shutdown schedule in September for shutdowns less than seven days.

Seasonal Storage Service certifications will be adjusted for the reduction of credits that are accrued due to shutdowns that are greater than seven days. No adjustments will be made for shutdowns seven days or less unless the member agency provides a service to the District by serving another member agency in-lieu of District deliveries during a shutdown even if the shutdown is seven days or less.

**§ 4504. Rates of Flow.**

(a) Within any 24-hour period, changes in rate of flow through any service connection serving a member public agency will be limited to ten (10) percent above and below the previous 24-hour average rate of flow except when a specific request for a change in rate that would exceed such limitations has been made to the District; such requests (1) shall be made at least 6 hours in advance of the time such change is to be made; (2) shall be approved by the Chief Executive Officer only if in his judgment the change would not adversely affect the District's ability to apportion available water equitably. The Chief Executive Officer is hereby authorized to reduce the maximum obtainable rate of flow at any service connection where this regulation is being violated and in the event the capacity of the distribution system is insufficient to accommodate the above mentioned daily fluctuations in delivery rate, the Chief Executive Officer shall regulate the rates of flow at any or all service connections so as to assure equitable service to all agencies. However, the District will endeavor to meet all reasonable demands for service so long as comparable service can be provided to all member public agencies being served from a related section of the District's distribution system.

(b) When flow through a service connection serving a member public agency is reduced below ten (10) percent of the requested or actual maximum design capacity of the meter, whichever is less, at that connection during a period when the service connection turnout valve is in the open position, the member public agency will be charged as though a flow equaling ten (10) percent of the capacity of such meter were being delivered, as determined by the Chief Executive Officer, unless the District has been advised by the member public agency that no deliveries are required at that connection for a specified period. This Section 4504(b) shall not apply to those service connections which are not connected to pressure pipelines of the District or to those service connections being operated intermittently in a manner determined by the Chief Executive Officer to be of benefit to the District under conditions such that when flow does occur at these service connections it exceeds ten (10) percent of the meter capacity. The Chief Executive Officer shall have the power to waive the requirements of this Section 4504(b), with respect to any meter where the agency served by the meter is doing everything within its capability, as determined by the Chief Executive Officer, to adjust its facilities and operations so as to be able to take delivery at rates of flow not less than ten (10) percent of the requested or actual maximum design capacity of the meter, whichever is less, at that connection during a period when the service connection turnout valve is in the open position.

(c) When flow through a service connection serving a member public agency is increased above the actual maximum design capacity of the meter, the member public agency will be charged as though a flow equaling one hundred and twenty-five (125) percent of the capacity of such meter were being delivered, as determined by the Chief Executive Officer.

(d) The Chief Executive Officer shall have the power to waive the provisions of Sections 4504(a), 4504(b) and 4504(c) for a specified period with respect to any service connection if in his judgment such a waiver will serve to accomplish the current objectives of the District and will not adversely affect the operation of the District's distribution system or impair its ability to provide service to all member public agencies.

#### **§ 4505. Estimates of Water Requirements and Schedules of Deliveries.**

(a) General. - Before April 1 of each year, each member public agency shall furnish the District, in form provided by the District, with an estimate of the amounts of water to be furnished to such member public agency by the District. These estimates will be used by the District in planning the construction needed to complete the District's ultimate aqueduct and distribution system; in planning the future operation of such system; and in preparing notices for submission to the State Department of Water Resources which will be used by the State to order power for pumping on the State Water Project.

(b) Contents of Estimates

(1) Each estimate furnished by a member public agency pursuant to Section 4505(a) shall contain, as a minimum, for each service connection and for each month of the year beginning with the succeeding July 1, and for the entire member public agency for each month of the succeeding four years, the following information:

(i) The quantity of water to be delivered by Metropolitan to the member public agency in full service.

(ii) The quantity of water to be delivered by Metropolitan to the member public agency in Interim Agricultural Water Program service.

(iii) The quantity of water to be delivered by Metropolitan to the member public agency in Seasonal Storage Service.

(iv) With regard to water estimated to be delivered in full service, the quantity of water to be used for seawater barrier groundwater replenishment.

(v) With regard to water estimated to be delivered in Seasonal Storage Service, the quantity of water to be used for:

(aa) In-Lieu Groundwater and ~~Reservoir Shift and~~ Long-Term Storage purposes, exclusive of groundwater replenishment by spreading or injecting and direct reservoir storage; and

(bb) Groundwater replenishment by spreading or injecting.

(cc) Direct Reservoir Storage.

(2) The estimate shall constitute the member public agency's request for deliveries for the first of the five years covered therein.

**§ 4506. Metering of Water.**

All water delivered by the District shall be metered. Meter readings shall be made on or about the last day of each calendar month for billing purposes. Meters and control valves on water lines of the District shall be owned and operated by the District. Any member public agency may have any meter through which water is served from the District's facilities to any area within such member public agency tested by the District at any time. Any member public agency affected shall have the right to be represented by a qualified observer at and during any such tests. In the event that any such test shall disclose an error exceeding 2 percent, an adjustment shall be made in charges made to the affected member public agency, covering the known or estimated period of duration of such error, but in no event exceeding six months, and

the expenses of such test shall be borne by the District; otherwise, such expense shall be borne by the member public agency requesting such test.

**§ 4507. Billing and Payment for Water Deliveries.**

(a) **Timeframe for Billing and Payment.** Except as noted hereinbelow, invoices shall be mailed not later than the tenth day of the month following delivery to a member public agency. Each such invoice shall indicate the date of mailing and the date on which the payment thereunder becomes delinquent and shall show the total amount of water delivered for each class of service, the charges for water sold and delivered for each class, the ~~readiness-to-serve, new demand, connection maintenance~~readiness-to-serve and capacity reservation charges, as applicable, and the total amount due and owing, all as determined by the Chief Executive Officer. Payment of the amount shown on any such invoice shall be due on the last business day of that month and shall be delinquent if not received by the Treasurer of the District before the close of crediting activity on the last business day of the first month following such date of mailing. When making any such payment the member public agency shall specify the invoice or invoices to which the payment shall be credited by the District.

(1) For purposes of Section 4507(a), "business day" shall mean any day other than a Saturday, a Sunday, or a Holiday (as defined in Section 1106).

(2) For purposes of Section 4507(a), "received by the Treasurer of the District" shall mean receipt either (1) in the office of the Treasurer or (2) by crediting pursuant to advance agreement with the Treasurer to the District's general demand account at the District's principal depository bank, in such form that the funds are immediately available for investment or other use or disposal by the District.

(3) For purposes of Section 4507(a), "crediting activity" shall mean either (1) 2:00 p.m. if payment is delivered to the office of the Treasurer, or (2) the cutoff time for crediting by the District's principal depository bank of that day's transactions if payment is initiated by wire transfer, automated clearinghouse transfer, interbranch transfer, direct deposit, or by other means pursuant to advance agreement with the Treasurer.

If, under advance agreement with the Treasurer, a member agency has authorized payment of any invoice by automated clearinghouse transfer initiated by the Treasurer, the Treasurer shall initiate such transfer for processing two business days prior to the business day on which such payment shall be delinquent. Failure of such transfer shall not relieve such member agency from liability for such payment or charges in the event such payment should become delinquent, except as specifically provided under advance agreement with the Treasurer.

(b) **Exclusive Interim Agricultural Water Program Facility.** In the event water delivered by the District through a particular facility is used exclusively for Interim Agricultural Water Program purposes and the member public agency desires to be charged therefor at the rates for water sold and delivered for Interim Agricultural Water Service provided in Section 4401, a statement relating the facts concerning the use of water delivered through each such facility must be certified to the District in writing by a responsible officer of the member public agency at least 30 days prior to the end of each one-month period during which such deliveries are made. In cases where such use of all water delivered through a particular facility will remain the same for an extended period the initial or current certification will remain in effect until the use of the water from a certified exclusive use service connection changes. At that time a new statement relating the facts concerning the use must be re-certified to the District within 30 days.

(c) **Full Service and Interim Agricultural Water Program Facility.** In cases where water through a particular facility is delivered during any month for both full service and Interim Agricultural Water Service, the bill for water delivered in such month will be prepared by applying the rates for water sold and delivered in full service to the total quantity of water delivered. If the member public agency desires to receive credit for such water so delivered as was used in Interim Agricultural Water Service the facts concerning the quantities of water so used must be certified to the District in writing by a responsible officer of the member public agency purchasing such water as set forth in Section 4507(f) and each such certification shall cover a period of not more than one calendar month. The value of such credits shall be based on the difference in water rates in effect at the time the water is used, regardless of the date of delivery.

(d) **Exclusive Direct Groundwater Replenishment Facility.** In the event water delivered by the District through a particular facility is used exclusively for direct groundwater replenishment through spreading the member public agency shall be charged therefore at the rates for water sold and delivered for Seasonal Storage Service as set forth in Section 4401, when Seasonal Storage Service is available as determined by the Chief Executive Officer. When Seasonal Storage Service is not available, the member public agency shall be charged at the rates for water sold and delivered for full service as set forth in Section 4401.

(e) **Full Service, Interim Agricultural Water Program, and Seasonal Storage Service Program Facility.** In cases where water through a particular facility is delivered during any month for full service or Interim Agricultural Water Service or both, and for Seasonal Storage Service, the bill for water delivered in such month will be prepared by applying the rates for water sold and delivered in full service to the total quantity of water delivered. In addition to the procedures for crediting Interim Agricultural Water Program Service, if the member public agency desires to receive credit for water used in Seasonal Storage Service the facts concerning the quantities of water so used must be certified to the District in writing or electronically by computer modem or otherwise by a responsible officer of the member public agency purchasing

such water as provided for in Section 4507 (f) and (h). The amount of such credits shall be based on the difference in water rates in effect at the time the water is used.

(f) **Late Certifications.** Based on available information, the District will notify a member agency for any certification that it has not received, if known, ~~four~~three months from the end of the month for which the agency would normally certify. No certification received after six months following the end of any month in which such a credit is claimed will be accepted. Certifications must be received by Metropolitan before 3:30 p.m. on the third working day after the end of the month to receive credit for any preceding month on the next bill, subject to the provisions with respect to late certifications in this Section. This Section applies to all cases where a certification is required to receive a credit, whether or not specifically named in this Section, unless otherwise provided by this Code.

(g) **Ratio of Water Use for ~~full~~Full Service and Interim Agricultural Water Program Service.** In the event water is delivered by the District into facilities into which water from other sources also is delivered, and the combined waters are used for Interim Agricultural Water Program Service and for full service, then the quantity of water for which the member public agency shall, upon filing the required certifications of usage, be charged at the rates charged for water sold and delivered in Interim Agricultural Water Program Service during any month shall be a ratio equal to (1) the total District Full Service supply to the participating agency's system divided by (2) the total quantity of combined waters supplied for all purposes during such month. This ratio shall be applied to total agricultural use which is intended for participation in the Interim Agricultural Water Program. This ratio will also be applied to system gains, losses and differences because of timing of meter readings attributable to Interim Agricultural Water Program use and in accordance with Section 4501 (c) of this Code.

(h) **Provisions Regarding the Sale, Delivery, and Use of Interim Agricultural Water Program Water.** In order for any member public agency to be charged at the rate charged for water sold and delivered in Interim Agricultural Water Program Service, such member public agency shall be subject to and shall observe the following provisions regarding the sale, delivery, and use of such water:

(1) All water sold for use for Interim Agricultural Water Program Service shall be metered, either at the District's meter where all downstream water deliveries are exclusively for Interim Agricultural Water Program purposes, or at the point where the downstream section of an agency's distribution system is used exclusively to deliver water for Interim Agricultural Program Water service, or at the point of delivery to the Interim Agricultural Program Water user.

(2) When the water delivered to a final user through a single meter is used for Interim Agricultural Water Program Service and incidental domestic uses related to residency, such final user shall be charged for, and the Interim Agricultural Water Program certification submitted to the District shall reflect, at least .06 acre-feet of water per month per single family

dwelling as water sold and delivered in full service, and the balance as water used for Interim Agricultural Water Program Service. If a higher constant than .06 acre-feet is used under the retail rate structure, the certification shall reflect that higher constant.

(3) All certifications as to the Interim Agricultural Water Program use of District supplied water must be on forms provided by the District and be accompanied by data and calculations reflecting the method used in determining the quantities certified.

In the absence of the submission of certificates reciting the facts concerning the usage of water for Interim Agricultural Water Program Service, and stating that such usage was in conformity with the provisions described herein, it shall be conclusively presumed that the water was used for full service, and the District's billing shall be on this basis.

(i) **Determination by Chief Executive Officer as to Type of Delivery.** In the event the respective quantities of water sold and delivered in any month on order of any member public agency for use therein in Interim Agricultural Water Program Service or Seasonal Storage Service are not determinable to the satisfaction of the Chief Executive Officer in time for preparing regular monthly bills therefor, then billing and payment for all water sold and delivered in such month to such member public agency shall be made at the rates prescribed for water used in full service in Section 4401(a)(1) hereof. Upon the determination by the Chief Executive Officer of the correct quantities of water sold and delivered and used in Interim Agricultural Water Program Service or Seasonal Storage Service, any adjustment which is necessary to give effect to the reduced rates applicable to water used in Interim Agricultural Water Program Service or Seasonal Storage Service shall be made by application of credits on subsequent purchases of water from the District by such member public agency. Such adjustments shall not be made in cases where a claim for the reduced rates is not submitted within the period provided in Section 4507(f).

(j) **Obligation to Pay for Appropriate Class of Service.** If water has been sold and delivered at the rates prescribed for water sold in Interim Agricultural Water Program Service, Seasonal Storage Service, or other water program or contract and appropriate certifications have been submitted for the water so used, but the water has in fact been used in full service or another class of service, the member public agency shall be obligated to pay the difference between the rates prescribed for water sold for Interim Agricultural Water Service, Seasonal Storage Service, or other water program or contract and the rates prescribed for the class of service actually used.

(k) **Submission of Documentation by Member Agency.** With respect to water sold and delivered at the rates prescribed for water sold in Interim Agricultural Water Program Service, or other water programs (unless otherwise specified in an agreement with the District or excluding Seasonal Storage Service which shall follow the provisions outlined in its Handbook) original documentation supporting the use of such water as certified must be submitted no later than December 31 following the end of the fiscal year in which a certification is submitted. If the



documentation is not submitted by December 31 following the end of the fiscal year in which a certification is submitted, an agency will receive a late penalty of \$2,500. If the agency does not submit documentation by February 28/29 following the end of the fiscal year in which a certification is submitted, it shall be conclusively presumed that:

(1) The water sold from the District was used for full service, and the District's next monthly billing shall reflect such adjustment; or

(2) The yield was not produced as certified and the District's next monthly billing shall reflect such adjustment.

This provision will apply individually to each program or agreement that an agency or sub-agency participates in separately.

(1) **Review Process.** With respect to water sold and delivered at the rates prescribed for water sold in Interim Agricultural Water Program Service, or other water programs (excluding Seasonal Storage Service which shall follow the provisions outlined in its Handbook) the District will complete its review within twelve months from date of receipt of the original supporting documentation.

(1) Should the District not complete its review within twelve months of the submittal of all source documentation, the review will be considered complete and the certifications final.

(2) When the review is completed, the District will notify the member agency of its initial findings for its comments. The member agency will provide its comments within 60 days. Metropolitan staff and the agency will work together to reconcile any differences.

(3) If the member agency and Metropolitan staff cannot reconcile the differences, Metropolitan's Water System Operations' Group Manager has the responsibility to consult with the member agency and make a final ruling subject to the Chief Executive Officer's oversight. If the ruling is unsatisfactory to the agency, it can be appealed to Metropolitan's Water Planning, Quality and Resources Committee.

(4) If the member agency does not provide further documentation correcting Metropolitan staff findings within the 60 day comment period as specified in (m) (2), then it shall be conclusively presumed that the District's findings are correct and the District's next monthly billing shall reflect such adjustment.

(m) **Discovery of Mistakes or Errors.** In the event a mistake or error is discovered in a District water sales record, the Chief Executive Officer shall initiate appropriate corrective action. No mistake or error made more than three years prior to its discovery shall be corrected

unless otherwise specified in an agreement with the District. In the event a mistake or error is discovered by a member agency in its water sales record or certifications, no mistake or error made more than three years prior to its discovery shall be corrected unless otherwise specified in an agreement with the District.

(1) A District water sales record shall include a water billing invoice, or district invoice for other water-related charges.

(2) If the District finds the mistake or error, the discovery of the mistake or error shall be documented in writing to the member agency. The date of discovery for corrective action purposes shall be the date notice is sent to the member agency.

(3) If the member agency discovers the mistake or error, the discovery of the mistake or error shall be documented in writing to the District by either a revised certification form or letter, whichever is applicable. The date of discovery for corrective action purposes shall be the date the certification or letter is received by the District.

(4) If an incorrect invoice has been issued to a member public agency, the Chief Executive Officer shall notify the affected agency of any adjustment and the manner of making any required credit or charge, neither of which shall bear interest.

(5) Mistakes or errors shall also include but are not limited to mistakes or errors in metering or recording deliveries to member agencies, entry or calculation errors in fixed charges, discovery of errors in either a member agency or sub-agency submitted certification(s), or processing of a certification(s) for the Local Projects Program, the Local Resources Program, the Groundwater Recovery Program, Conservation Credit Program, Interim Agricultural Water Program, Seasonal Storage Service Program, or any other water management program or storage programs or agreements unless specified otherwise in the contract.

(6) Any mistakes or error for a fiscal year period that is less than five acre-feet cumulative by agency or sub-agency, by program or agreement, shall be waived.

(n) **Rate Change.** In the event that deliveries of water are made by the District to member public agencies over a billing period during which the District's water rates change, the Chief Executive Officer may cause the meters recording deliveries of water during such period to be read at the end of the period and the statement of charges for such deliveries of water may be based on a proration between the previous and new water rates for the periods of time during which each were in effect as determined by the Chief Executive Officer.

(o) **Supply Rates.** Deliveries to a member public agency shall be charged at the Tier 2 Supply Rate when the cumulative total of full service deliveries to the member public agency for

the year exceeds 60 percent of the member agency's Base Firm Demand. A member public agency that executed a Purchase Order shall be charged at the Tier 2 Supply Rate when the cumulative total of full service deliveries to the member public agency for the year exceeds 90 percent of the member public agency's Base Firm Demand.

**§ 4508. Additional Payment and Reporting in the Event of Delinquency in Payment for Water.**

In the event any member public agency shall be delinquent in the payment for water delivered and other charges as invoiced by the District, an additional charge equal to two (2) percent of such delinquent payment for each month or portion thereof that such payment remains delinquent shall be assessed, and the member public agency shall pay such charge to the District in addition to the amount of such delinquent payment. Notwithstanding the above, if the total period of delinquency does not exceed five (5) business days, the additional charge shall be equal to one (1) percent of such delinquent payment. Invoices for delinquencies including additional charges shall be mailed not later than the tenth day of each month. In the event any member public agency shall be delinquent for more than thirty (30) days in the payment for water, such delinquency shall be reported by the Chief Executive Officer to the Board of Directors of the District at its next meeting. The Board, in its discretion and upon such other conditions as it may prescribe after giving the member public agency a reasonable opportunity to be heard, may order the termination of service to such member public agency until all delinquent payments, including additional charges, are made to the District or may authorize such other actions as may be legally available to effectuate collection.

**§ 4509. Water Restricted to Use Within the District.**

In order to insure that water served by the District is not used for the direct or indirect benefit of areas outside the District, the amount of water served by the District's facilities that shall be made available to any member public agency shall be limited to an amount equal to that required for uses within the area of the District lying within, or served by or through, such member public agency. No area lying outside the boundaries of the District shall be served with water from the District's facilities, except as service to such area may, when found to be such by the Board, be a reasonably unavoidable incident to the service of such water within the District, and under such circumstances the amount of water served by the District that shall be made available to any member public agency shall be limited to an amount equal to that required for uses within the area of the District lying within, or served by or through, such member public agency. Any question of fact involved in the application of this Section 4509 shall be finally determined by the Board, after giving the member public agency concerned adequate opportunity to present pertinent factual evidence and the views of such member public agency.

**§ 4510. Application of Regulations.**

The provisions hereof shall not be applicable to service of water to the United States of America, or to any board, department or agency thereof, to the State of California, or to the service of surplus water under contract made in accordance with statute, but such service shall be controlled by the applicable contract.

**§ 4511. Notices.**

All notices and communications from member public agencies of the District, relating to the service of water or the administration of these regulations by the District, shall be addressed to the Chief Executive Officer, Post Office Box 54153, Los Angeles, California 90054.

**§ 4512. Sales Subject to System and Water Availability.**

All sales and deliveries of water at the rates established by Section 4401 shall be subject to the ability of the District to sell and deliver such water under operating conditions determined by the Chief Executive Officer, and, to the extent not inconsistent herewith, shall be subject to the provisions of this chapter, and Chapter 9.

With respect to water delivered for groundwater replenishment purposes, deliveries of such water may be made at the Chief Executive Officer's discretion when water and system capacity are considered available for same.

**§ 4513. Equal Opportunity Requirements.**

Pursuant to contract between agencies of the United States and the District, any delivery of water by the District to a member public agency shall be subject to the following provisions. For the purposes of these provisions only, the member public agency is therein referred to as "Contractor."

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Federal Contracting Officer setting forth the provisions of this nondiscrimination clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive

consideration for employment without discrimination because of race, color, religion, sex, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Federal Contracting Officer, advising said labor union or workers' representative of the Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by said amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the Federal Contracting Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the Contractor's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be canceled, terminated, or suspended, in whole or in part, and the Contractor may be declared ineligible for further Federal Government contracts in accordance with procedures authorized in said amended Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said amended Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

#### **§ 4514. Seasonal Storage Service.**

(a) General - The goals of the Seasonal Storage Service program are to:

1. Achieve greater conjunctive use of imported and local supplies.
2. Encourage construction of additional local production facilities.
3. Reduce member agencies' dependence on deliveries from Metropolitan during the summer months and periods of shortage.

Member agencies are encouraged to take seasonal water through a discounted rate offered by Metropolitan. This economic incentive encourages local agencies to invest in new water production, storage, treatment and transmission facilities, or to fully utilize existing facilities. These facilities are needed to augment local agencies' capability to produce local water, as well as store imported water purchased from Metropolitan during periods of abundance.

To receive the lower rates, agencies must certify to Metropolitan the amounts of imported water that they have stored in local reservoirs and groundwater basins by direct and in-lieu means ~~and/or the amount of deliveries shifted from the summer to winter period~~. Certification forms are provided to agencies to assist in their calculations and standardize the certifications. Agencies shall comply with the administrative procedures as set forth in the most current Seasonal Storage Service Handbook, as amended from time to time by the Chief Executive Officer, to receive the Seasonal Storage Service rate on water purchased from Metropolitan.

(b) Storage Types - Seasonal Storage Service water shall be stored for ~~either seasonal shift or~~ long-term storage. \_\_\_\_\_

~~1. Seasonal Shift Storage is additional summer local production offset by an equivalent Metropolitan winter delivery within a 12-month period. Under this concept, the member public agency's total annual purchases of Metropolitan water are unchanged from the purchases that would have occurred had Seasonal Storage Service not been in place.~~

~~2.~~ Long-Term Storage is that water delivered by Metropolitan to a member public agency or sub-agency for storage, by direct or in-lieu methods, beyond the 12-month Seasonal Storage Service period. Under this concept, total annual purchases from ~~metropolitan~~ Metropolitan increase by the amount of Seasonal Storage water which qualifies for long-term storage. Water that an agency leaves in storage to replace groundwater overdraft in any previous drought year when Seasonal Storage Service was declared unavailable is considered long-term storage.

(c) Normal Period of Availability ~~-Seasonal Shift storage water service shall be available between October 1 and the following April 30, treated as a full service delivery, subject to the ability of the District to sell and deliver such water under operating conditions determined by the Chief Executive Officer, and, to the extent not inconsistent herewith, shall be subject to the~~

~~provisions of this chapter and Chapter 9.~~ Long-Term Storage water service shall be available between October 1 and the following April 30 whenever and so long as the Chief Executive Officer determines that water and system capacity are available. If required for Metropolitan's system regulation, groundwater replenishment by spreading or injecting or water deliveries/sales pursuant to any storage or operating agreement, may be offered to specific member public agencies during any time of the year at the Seasonal Storage Service rate at the Chief Executive Officer's discretion. In the event that excess supplies are available between April 30 and October 1, the Chief Executive Officer may make such supplies available to all agencies at the Seasonal Storage Service rate in accordance with the objectives of this program, unless limited by system constraints. If an agency should take Long-Term Storage water service when it is deemed not available by the Chief Executive Officer then it shall pay the full service rates for that water. With respect to service for direct reservoir storage and for groundwater replenishment by spreading or injecting, service availability may be activated or terminated immediately upon notice by the Chief Executive Officer to affected member public agencies. With respect to service for in-lieu groundwater replenishment or in-lieu reservoir storage, service availability may be activated upon notice to the member public agencies and terminated upon 15 days notice to the member public agencies.

(d) Certification - Member public agencies may receive seasonal storage water service only upon filing of the required certifications specified in Section 4507. All certifications as to the storage of water under the Seasonal Storage Service Program must be on forms provided by the District or in electronic format acceptable to the District. Receipt of a certification electronically by computer modem or otherwise shall be considered identical to receipt of a written and signed certification binding on the member public agency for all purposes. The Chief Executive Officer may make or cause to be made such investigations as the Chief Executive Officer may require in order to determine the quantities of water to which the seasonal storage rates shall apply. Such investigations may result in revisions either upward or downward in the amount of water actually received in Seasonal Storage Service. No such investigation shall be made unless the member public agency has requested Seasonal Storage Service and submitted the requisite certifications. The Chief Executive Officer may reject any certification if the certifying agency is unable to furnish sufficient documentation as to the facts of the certification.

[Section 4515 - M.I. 38295 - June 12, 1990; repealed by M.I. 41468 - June 13, 1995.]

~~§ 4516. Local Projects Program.~~

~~(a) To financially assist local agencies in the development of Local Project Program Yield, there shall be a Local Projects Program. A member public agency may submit an application to the Chief Executive Officer for a project proposed for inclusion in the Local Projects Program. The application shall be in the form designated by the Chief Executive Officer. To qualify for the Local Projects Program, the Project Sponsor shall demonstrate and certify in~~

~~the application to the Chief Executive Officer's satisfaction that the following criteria will be met:~~

~~—————(1) The project will produce Local Projects Program Yield which will replace an existing demand or prevent a new demand on the District for beneficial use;~~

~~—————(2) The project will deliver at least 100 acre feet per year of Local Project Program Yield;~~

~~—————(3) The cost of the water to be produced by the project will exceed the cost of purchasing water from the District;~~

~~—————(4) The project must be capable of being implemented in compliance with the Metropolitan Water District Act and any other applicable laws;~~

~~—————(5) The Project Sponsor will obtain public health and regulatory permits required by the project; and~~

~~—————(6) The obligations of the lead agency under the California Environmental Quality Act will be complied with by an agency other than the District.~~

~~————(b) The Chief Executive Officer may reject any application for any reason.~~

~~————(c) The Chief Executive Officer is authorized to execute an agreement, subject to approval as to legality by the General Counsel, with an agency that complies with the above criteria. Such agreement, at a minimum shall provide:~~

~~—————(1) That the District will purchase the Local Project Program Yield from a project at a rate per acre-foot equal to the local project contribution plus the District's rate for recycled water. The local project contribution is currently \$154 per acre-foot, but may be increased in the future by action of the Board for then-existing as well as future Local Project agreements. The increase shall apply to an existing agreement if the contracting Project Sponsor demonstrates to the satisfaction of the Chief Executive Officer a need for the increase based on changes in costs of project operation and guarantees production and reuse of certain annual amount of recycled water.~~

~~—————(2) That water purchased from a project may be sold by the District to any member public agency including the member agency within whose territory the project is located.~~

~~—————(3) For a maximum term not exceeding 25 years from the date when the project first produces Local Project Program Yield.~~



~~(4) That the Project Sponsor will pay and be responsible for design, construction, operation, maintenance, and management of the project.~~

**§ 4517. Cooperative Storage Program.**

(a) The Cooperative Storage Program that provides a means for coordinating storage capacity available to the District's member public agencies, with the District's annual carryover storage needs as those needs are determined under Subsection 4206(c). The purpose of the Program is to place additional amounts of imported water in local storage to improve regional water supply reliability within the District's service area, in a manner that will recognize local costs and risks of participating in the program, but will not adversely impact either the District's finances or the member public agencies' ability to participate in the Seasonal Storage Service Program.

(b) Storage Allocation - The Chief Executive Officer shall allocate needed storage by reservoir and by groundwater basin to optimize the availability and usefulness of the storage to the District; and shall administer the Program so that, in any fiscal year, Program water in storage shall be accessible to offset demands on the District that year by the participating member public agency pursuant to subsection (h).

(c) Availability of Water for Storage - The Chief Executive Officer may make water available during the period May 1 through September 30, for storage under the Cooperative Storage Program, upon notice to the respective participating member public agency, subject to a determination that the storage will increase the District's ability to receive imported water supplies.

(d) Application for Participation - Member public agencies may apply for participation in the Cooperative Storage Program by filing a written application containing at least the following:

(1) A verified statement that the member public agency will comply with the requirements of this section.

(2) A water supply and demand estimate based on historical data to ensure that:

(i) The agency's participation in the Program will not offset its firm purchases of water from the District, and

(ii) The agency will store additional imported District water.

(iii) The estimate may be updated if conditions change, provided the updating is first agreed to in writing by the agency and the District.

(3) A proposal for placing water provided by the District under this Program in storage available to the member public agency, and for administering that storage pursuant to this Section.

(4) An estimate of any expected losses of Program water while that water is in the proposed storage, and the method of estimating those losses.

(5) Evidence of compliance with the California Environmental Quality Act prior to delivery of imported water for placement in Program storage.

(6) If more than one member public agency overlies a common groundwater basin, the overlying member public agencies may file a joint application, with each such agency providing a separate water supply and demand estimate for its respective service area pursuant to subsection (d)(2) and any other separate information the Chief Executive Officer may require.

(e) Approval for Participation - The Chief Executive Officer shall approve an application for participation in the Program upon determination that it is consistent with the requirements of this section. The Chief Executive Officer shall approve the application in writing which shall include a monthly estimate of total demand, water purchased from Metropolitan, available local supplies, and the maximum quantity of District water which shall qualify for storage under the Program, and those figures shall be approved by signature of a duly authorized representative of the participating member public agency prior to storage of water under the Program. Any later modification to said figures must be approved by both parties in writing. The application of any modification shall not be effective until approved in writing. The District shall conduct end-of-the-year verifications of stored water.

(f) Storing Process

(1) The District will deliver at its cost, available imported water to the respective participating member public agency at its appropriate District service connection, for Program storage by direct or in-lieu methods, following verbal or electronic acceptance by that agency. This delivery shall be deemed to be a Cooperative Storage Program sale by the District to the member public agency as defined in Section 4118, subject to the payment requirements of subsection (i) and (j) of this Section.

(2) The agency will, at its cost, cause the water to be placed in storage in a manner that meets all applicable storage requirements; and shall warrant that the stored water shall not be withdrawn or used until after the District releases the stored water pursuant to this Section.

(3) Program water delivered to a member public agency shall not offset a firm water sale of District Water by that agency. If a participating member public agency's firm water purchases from the District on a monthly basis during the May through September period are less than the District's firm water sales on a monthly basis during the same period in any one of the last five years, the agency must clearly demonstrate to the District, in writing, that such reduction occurred due to the availability of unexpected local water supplies. Any resulting change in the baseline established pursuant to Subsection (e) shall be approved in writing by the Chief Executive Officer prior to becoming effective. Should the agency fail to make the required demonstration, the District shall bill the agency at the firm water rate for that portion of Cooperative Storage water delivered which will bring the firm water sales up to the agreed base amount of firm water for the month(s) in question.

(g) Storage Accounting

(1) Each participating member public agency shall maintain a Program storage account for Program water it stores, which shall account for monthly deliveries, releases, and storage losses approved by the District, if any, and other information which the Chief Executive Officer shall deem necessary.

(2) The District shall bear reasonable and equitable losses of stored water provided that the Chief Executive Officer approves the respective member public agency's justification of the loss criteria prior to placement of water into storage and shall consider those losses in allocating Program storage. Otherwise the District shall not bear any loss of stored water.

(3) Water stored under this Program shall be stored by a participating agency in such a manner as to assure that such water can be produced by that agency when released by Metropolitan. Program water delivered to a member public agency for storage shall be considered local water produced in that year for purposes of Seasonal Storage Service.

(h) Release of Stored Water - The Chief Executive Officer shall release stored Program water to the participating member public agency in which it is stored under the following criteria:

(1) Water Delivered to Storage Prior to 1995

(i) In an fiscal year when Seasonal Storage Service deliveries are available, the Chief Executive Officer may release, up to half of the Program water stored by the respective member public agency, in place of the agency's request for delivery of Seasonal Storage Service through the District's distribution system, except for conditions described in provisions (iv) and (v) of this subsection;

(ii) In a fiscal year in which Seasonal Storage Service or Full Service deliveries have been suspended, the Chief Executive Officer shall release, and the participating member public agency shall accept, up to half of the Program water stored by the respective public agency, to the extent the agency requests that release, except for conditions described in provisions (iv) and (v) of this subsection;

(iii) During an emergency such as an earthquake, when District water service is interrupted, the Chief Executive Officer shall release up to all stored Program water stored by the respective member public agency, to the extent of the interruption in water service and that the agency requests that release;

(iv) When the Program water stored by the respective member public agency is less than ten percent of the agency's average annual purchase of Seasonal Storage Service deliveries for the prior four years, the Chief Executive Officer may release all of the Program water stored by the agency;

(v) In any fiscal year during which a participating member public agency's Seasonal Storage Service or Program water release request is less than its average annual purchase of Seasonal Storage Service of the prior four years, the Chief Executive Officer may release the Program water stored by the respective member public agency in combination with Seasonal Storage Service sales up to the agency's four-year average Seasonal Storage Service purchase. The District shall not release more than half of the Program water stored by the respective member public agency for this purpose and shall provide the agency with a 90-day advance notice of the release.

## (2) Water Delivered to Storage After 1994

(i) The Chief Executive Officer may release in a fiscal year up to one-third of the total amount of Program water placed in storage by a respective member public agency in place of that agency's request for delivery of water from the District's distribution system or for Seasonal Storage Service, in order to fill Diamond Valley Lake, meet operational requirements, or reduce or eliminate shortages. Program water used to reduce or eliminate shortages, or for operational requirements may be released during any ten months selected by the Chief Executive Officer during a twelve-month period from the time of release. Program Water may be released at any time in place of the agency's request for Seasonal Storage Service.

(ii) Upon release of Program water by District, the participating member agency shall furnish to District, within 60 days, water supply and demand data based on historical information sufficient to document that it has produced the amount of Program water released to it.

(iii) The Chief Executive Officer shall release stored Program water to the respective member public agency no later than ten years after delivering it to that agency for storage.

(iv) If a member public agency receives delivery of Program water for storage after 1994, any Program water that agency has stored in previous years shall also be subject to the release provisions of this subsection (h)(2).

(v) Participating Member Public Agencies may transfer Program water they have placed into storage under the Program into other long-term water storage programs the District may develop as part of its Integrated Resource Plan under mutually agreeable transfer terms, executed in writing by both parties.

(i) Payment

(1) The participating member public agency shall pay the District's incremental costs of delivering Program water for storage plus interest at the average yield on the District's investment portfolio, from the date of delivery to the member public agency to the date of the invoice. Pursuant to the provisions of Section 4507, the District will invoice the member public agency on or about July 10 of the calendar year following the year in which the water is delivered. ~~For water delivered in 1995, the incremental cost plus interest shall be \$90 per acre foot.~~

(2) At the time the Chief Executive Officer releases stored Program water to the respective participating member public agency the District shall invoice the respective participating member public agency pursuant to the provisions of Section 4507, at the applicable treated or untreated Seasonal Storage Service rate in effect when the respective Program water was placed in storage, less any previous payment for the incremental costs of delivering the water for storage (but not including credit for the interest required by subsection (i)(1)).

(3) Water released from storage to the participating member public agency shall be the oldest water then in storage.

(4) Readiness-to-Serve ~~and New Demand~~ Charge Treatment.

(i) Program water delivered to storage prior to April 12, 1994 shall be exempted from the Readiness-to-Serve ~~and the New Demand charge determinations-charge determination.~~ Those charge determinations shall be applied to water delivered to storage after that date, except as applied in (ii) below, when the stored water is released to the participating member public agency.

(ii) The Readiness-to-Serve charge for Program water delivered for storage in 1995 shall be \$36 per acre foot and will be paid monthly as the water is released to the member public agency. ~~Program water delivered for storage in 1995 shall be included in the member public agency's New Demand calculation as the water is released to it from Program storage.~~

(j) Penalty - A participating member public agency shall pay the applicable treated or untreated Full Service water rates for Program water the District delivers to it for placement in storage, to the extent it fails to comply with all the requirements of this Section.

(k) Indemnification - Participating member public agencies shall indemnify and defend the District, its employees, officers and directors for any injuries or damages that may be caused as a result of placing Program water in storage, storage itself, or storage releases and related withdrawal or use of Program water.

**[Chapter 6 - repealed by M.I. 41468 - June 13, 1995]**

**[Chapters 7, 8 and 9 – no amendments]**

**Division IV**

**WATER SERVICE POLICIES**

**Chapter 1**

**DEFINITIONS**

Sec.

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- 4102. State
- 4103. Treated Water
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- 4111. In - Lieu Reservoir Storage
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- 4126. Treatment Surcharge

**§ 4100. General.**

The definitions in this Chapter shall govern the meaning of the terms when used in this Division.

**§ 4101. Colorado.**

"Colorado" as a source of water shall mean water obtained by the District from the Colorado River through facilities owned by the District.

**§ 4102. State.**

"State" as a source of water shall mean water obtained by the District from facilities of the California State Water Project.

**§ 4103. Treated Water.**

"Treated water" shall mean water that is treated by filtration and disinfection at any District water treatment facility.

**§ 4104. Untreated Water.**

"Untreated water" shall mean water that is not treated water.

**§ 4105. Domestic and Municipal Purposes.**

"Domestic and municipal purposes" shall mean, but is not limited to, the use of water for all domestic, municipal, commercial, industrial, and recreational purposes.

**§ 4106. Interim Agricultural Water Program Purposes.**

"Interim Agricultural Water Program purposes" shall mean the service of water pursuant to the Interim Agricultural Water Program and this Division IV which is delivered and used for the growing or raising, in conformity with recognized practices of husbandry, for the purposes of commerce, trade, or industry, or for use by public educational or correctional institutions, of agricultural, horticultural, or floricultural products, and produced (1) for human consumption or for the market, or (2) for the feeding of fowl or livestock produced for human consumption or for the market, or (3) for the feeding of fowl or livestock for the purpose of obtaining their products for human consumption or for the market, such products to be grown or raised on a parcel of land having an area of not less than one acre utilized exclusively therefor.

(a) "Interim Agricultural Water Program purposes limited to the growing of field and nursery crops and row crops" shall mean the service of water related to the growing of crops generally planted and harvested annually or more frequently, and other Interim Agricultural Water Program purposes not included in the definitions of Sections 4106(b) and 4106(c).



(b) "Interim Agricultural Water Program purposes limited to the growing of trees and vines" shall mean the service of water limited to the growing of crops which are planted less frequently than annually in the expectation of long-term yield therefrom.

(c) "Interim Agricultural Water Program purposes limited to the feeding of fowl or livestock" shall mean the service of water encompassing the raising of animals for human consumption or for the market or for the purpose of obtaining their products for human consumption or for the market.

**§ 4107. Groundwater Replenishment by Spreading.**

"Groundwater replenishment by spreading" shall mean the act of spreading or causing to be spread, water for the purpose of replenishing natural groundwater basins, without regard to subsequent use of the water.

**§ 4108. Groundwater Replenishment by Injection.**

"Groundwater replenishment by injection" shall mean the act of injecting or causing to be injected, water for the purpose of replenishing natural groundwater basins.

(a) "Direct Replenishment by Injection" shall mean groundwater replenishment that results from the act of injecting without regard to subsequent use of the water.

(b) "Seasonal Storage by Injection" shall mean groundwater storage or replenishment that results from the act of injecting and is subject to the measurements as described in Section 4514 of this Division.

(c) "Seawater barrier groundwater replenishment" shall mean groundwater replenishment having as a principal purpose the injection of water for the purpose of maintaining groundwater barriers designed and intended to avoid the contamination of groundwater storage basins by the intrusion of seawater.

**§ 4109. In-Lieu Groundwater Replenishment.**

"In-lieu groundwater replenishment" shall mean maintenance or replenishment of water supplies in groundwater basins by reduction or elimination of extraction therefrom through the substitution of deliveries of water to consumers from surface distribution facilities in lieu of such extraction.

**§ 4110. Reservoir Storage.**

"Reservoir storage" shall mean the act of storing water in surface reservoirs by delivering water directly into a reservoir.

**§ 4111. In-Lieu Reservoir Storage.**

"In-Lieu Reservoir Storage" shall mean the act of storing water in surface reservoirs by reducing or eliminating local supply outflow, through substitution of deliveries of water to consumers from surface distribution facilities in lieu of such withdrawals, thus conserving storage acquired from local sources.

**§ 4112. Full Service.**

"Full service" shall mean service of water for domestic or municipal purposes that does not meet (or fall within) the criteria for other classes of service or special programs as defined in this Division and is not subject to reduction or interruption except as may be required by the application of preferential rights granted by Section 135 of the MWD Act or by a drought determination made pursuant to Section 350 of the California Water Code.

**§ 4113. [Repealed].**

**§ 4114. Seasonal Storage Service.**

"Seasonal Storage service" shall mean service of water for groundwater replenishment by spreading or injecting, in-lieu groundwater replenishment, in-lieu reservoir storage, or for direct reservoir storage. Such service shall be governed by the provisions of Section 4514.

**§ 4115. [Repealed.]**

**§ 4116. [Repealed.]**

**§ 4117. Cooperative Storage Program.**

"Cooperative Storage Program" shall mean the program that provides a means for coordinating the District's carryover storage needs with storage capacity available to member public agencies, on the basis that the stored water will eventually be released to respective participating member public agencies pursuant to the regulations provided by Section 4517.

**§ 4118. Cooperative Storage Program Sale.**

"Cooperative Storage Program Sale" shall describe the transaction that occurs at the time a water delivery is made by the District under the Cooperative Storage Program. Any such delivery is deemed a sale to the receiving member public agency when delivered to it for storage, with payment to the District deferred as provided in subsection 4517(i). For administrative record keeping purposes, such a transaction will be recorded as an advance delivery until invoiced as a sale by the District at the time of release.

**§ 4119. Wheeling Service.**

"Wheeling Service" shall mean the use of Metropolitan's facilities, including its rights to use State Water Project facilities, to transport water not owned or controlled by Metropolitan to its member public agencies, in transactions entered into by Metropolitan for a period of up to one year.

**§ 4120. Purchase Order; Purchase Order Commitment.**

"Purchase Order" shall mean a member agency's written commitment to purchase a specified total volume of water from the District during a specified period, as provided in Section 4404, and "Purchase Order Commitment" shall mean 60% of a member agency's Initial Base Firm Demand times the number of years in the term of the Purchase Order. Deliveries of surplus system water supplies, including, but not limited to, deliveries under the Interim Agricultural Water Program and Long-Term Seasonal Storage Service, will not count toward the Purchase Order Commitment.

**§ 4121 Supply Rates.**

"Supply Rate" shall mean (i) the Tier 1 Supply Rate and (ii) the Tier 2 Supply Rate, as applicable to a particular purchase of water pursuant to Section 4404. The Tier 1 and Tier 2 Supply Rates shall be set from time to time by the District to recover the cost of maintaining existing supplies and developing additional supplies of water.

**§ 4122. Base Firm Demand; Initial Base Firm Demand.**

"Base Firm Demand" shall mean the greater of a) the member agency's Initial Base Firm Demand or b) the member agency's ten-fiscal year rolling average of deliveries of water from The District for the most recent ten fiscal year period, excluding, in either case, water delivered under Long-Term Seasonal Storage Service and Interim Agricultural Water Program Service, and "Initial Base Firm Demand" shall mean the member agency's highest annual delivery of water from The District, excluding water delivered under Long-Term Seasonal Storage Service,

Interruptible Service, and Interim Agricultural Water Program Service, during any fiscal year from fiscal year 1989/90 through fiscal year 2001/02.

**§ 4123. System Access Rate**

“System Access Rate” shall mean a dollar per acre-foot water rate imposed by the District to recover a portion of the District’s costs associated with the conveyance and distribution system, including capital, operating and maintenance costs.

**§ 4124. Water Stewardship Rate**

“Water Stewardship Rate” shall mean a dollar per acre-foot water rate imposed by the District to recover a portion of the costs of The District’s financial commitment to conservation, water recycling, groundwater recovery and other water management programs approved by the Board.

**§ 4125. System Power Rate**

“System Power Rate” shall mean a dollar per acre-foot water rate imposed by the District to recover the melded cost of power necessary to pump water from the State Water Project and Colorado River through the conveyance and distribution system for The District's member public agencies.

**§ 4126. Treatment Surcharge**

“Treatment Surcharge” means a dollar per acre-foot water rate imposed by the District to recover the District’s costs of providing water treatment capacity and operations.

**[Chapter 2 – no amendments]**

**Chapter 3**

**WATER SALES REVENUE**

Sec.

4300. General

4301. Cost of Service and Revenue Requirement

[4302. Repealed]

[4303. Repealed]

4304. Apportionment of Revenues and Setting of Water Rates  
and Charges to Raise Firm Revenues

**§ 4300. General.**

The total annual amount of revenue to be raised through the sale of water at rates and charges established pursuant to Sections 4400 and 4401 shall be determined in accordance with the provisions of this chapter.

**§ 4301. Cost of Service and Revenue Requirement.**

(a) The District shall fix rates for water such that anticipated water sales revenues, together with anticipated revenues from any water standby or availability of service charge (such as the readiness-to-serve charge or capacity reservation charge) or assessment, *ad valorem* tax revenues and other revenues pay the operating expenses of the District, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by the District, and provide for the payment of the interest and principal of the District's outstanding bonded debt. Subject to the foregoing, such rates and charges shall reflect the costs of the District's major service functions, including water supply, conveyance, power, storage, distribution and treatment, to the greatest degree practicable.

(b) Notwithstanding the provisions in subsection (a) above, and amounts raised by *ad valorem* property taxation shall not exceed the limitations established by section 124.5 of the Act and, subject to those limitations, shall be not less than the approximate equivalent of the amounts levied for fiscal year 1990-91.

**§ 4304. Apportionment of Revenues and Setting of Water Rates and Charges to Raise Firm Revenue.**

(a) Not later than at its December meeting the Chief Executive Officer shall present to the Budget, Finance and Investment Committee of the Board determinations of the total revenues and of the revenues to be derived from water sales and firm revenue sources, if any, required during the fiscal year beginning the following July 1 as determined by the Chief Executive Officer in accordance with current Board policies.

(b) Not later than at its December meeting the Budget, Finance and Investment Committee shall consider the Chief Executive Officer's determinations made pursuant to Section 4304(a).

(c) Not later than at its January meeting the Chief Executive Officer shall present to the Budget, Finance and Investment Committee recommendations of rates, including the System Access Rate, Water Stewardship Rate, System Power Rate, Treatment Surcharge, and the Supply Rates, for the various classes of water service to become effective the following January 1, which rates shall be the Chief Executive Officer's determination, made in accordance with current Board policies, of the rates necessary to produce substantially the revenues to be derived from

water sales during the fiscal year beginning the following July 1 which the Budget, Finance and Investment Committee has determined to be necessary.

(d) The Chief Executive Officer shall also present to the Budget, Finance and Investment Committee at its January meeting recommendations regarding the imposition of a water standby charge or an availability of service charge (such as the readiness-to-serve charge and capacity reservation charge), which charge shall be the Chief Executive Officer's determination, made in accordance with current Board policies, of the charge necessary to produce substantially the revenues to be derived from firm revenue sources, if any, exclusive of taxes, during the fiscal year beginning the following July 1 which the Budget, Finance and Investment Committee has determined to be necessary.

(e) Not later than its January meeting the Budget, Finance and Investment Committee shall set a time or times for, and shall thereafter hold, one or more meetings of the Budget, Finance and Investment Committee to be held prior to its regular March meeting at which interested parties may present their views regarding the proposed water rates to said committee. The Budget, Finance and Investment Committee shall direct the Chief Executive Officer to cause the publication of a notice of such public hearing to be published in newspapers of general circulation within the District's service area. Such notice shall be published not less than 10 days prior to the public hearing.

(f) The Budget, Finance and Investment Committee shall also make at its January meeting a preliminary determination of the type of firm revenue, if any, to be raised for the following fiscal year and recommend to the Board a form of resolution of intention to impose either a water standby charge or an availability of service charge sufficient to raise such firm revenue, exclusive of taxes, to implement such determination. The committee shall also recommend to the Board that it (1) authorize and direct the Chief Executive Officer to satisfy all notice requirements for implementation of such charge and (2) set dates, times and locations for, and thereafter hold, prior to the regular April meeting, one or more adjourned meetings of the Board, for public hearings and consideration of the imposition of the charge, at which interested parties may present their views regarding the proposed charge.

(g) At its regular March meeting the Budget, Finance and Investment Committee shall make its determination regarding the water rates to become effective the following January 1 and shall recommend said water rates to the Board at the Board's regular March meeting.

(h) At its March meeting, the Board shall establish water rates for deliveries beginning the following January 1.

(i) Not later than its regular May meeting, the Budget, Finance and Investment Committee shall make its final determination regarding the water standby charge or other firm revenue

charge, if any, for the fiscal year beginning the following July 1, and shall recommend such charge, if any, to the Board at its regular May meeting.

(j) Not later than its May meeting, the Board shall consider and take action upon the recommendations, if any, of the Budget, Finance and Investment Committee regarding a firm revenue source, exclusive of taxes, for the fiscal year beginning the following July 1.

(k) Proposals for changes in water rates to become effective at times other than on January 1 shall require adequate notice to the public and a hearing before such proposals are acted upon by the Board, unless the Board finds that an immediate change in water rates is urgent.

**Chapter 4**

**CLASSIFICATION AND RATES**

Sec.

4400. Basic Statement

4401. Rates

4402. Readiness-to-Serve Charge

4403. Capacity Reservation Charge and Peaking Surcharge

4404. Purchase Orders

4405. Wheeling Service

**§ 4400. Basic Statement.**

The rates and charges set forth herein, so far as practicable, shall result in revenue to meet the obligations set forth in Section 134 of the Metropolitan Water District Act.

**§ 4401. Rates.**

(a) The rates per acre-foot for water sold and delivered for each class of service on order of any member public agency for use therein shall be as follows:

(1) For all water that does not meet criteria for other classes of service or special programs as defined in this Division, each of the following, as applicable:

System Access Rate:

Effective Date	Rate
1/1/2003	\$141.00

Water Stewardship Rate

Effective Date	Rate
1/1/2003	\$23.00

System Power Rate

Effective Date	Rate
1/1/2003	\$89.00

Treatment Surcharge (Applicable to treated water)

Effective Date	Rate
1/1/2003	\$82.00

Supply Rate

Tier 1 Supply Rate--The Tier 1 Supply Rate shall apply to water purchases which, in the aggregate for any calendar year, are less than or equal to 60 percent (or, if the member agency purchasing the water has executed a Purchase Order, 90 percent) of the Base Firm Demand of such member agency.

Effective Date	Rate
1/1/2003	\$73.00

Tier 2 Supply Rate--The Tier 2 Supply Rate shall apply when a member agency's cumulative total of full service deliveries for the calendar year exceeds 60 percent of the member agency's Base Firm Demand, or 90 percent of Base Firm Demand for member public agencies that execute a Purchase Order.

Effective Date	Rate
1/1/2003	\$154.00



(2) For Long-Term Seasonal Storage Service (All water delivered in accordance with the Seasonal Storage Service Program as described in this Division and the most current User Handbook for Seasonal Storage Service.)

Effective Date	Untreated Water	Treated Water
1/1/2003	\$233.00	\$289.00

(3) For Interim Agricultural Water Program Service (All water delivered in accordance with the Interim Agricultural Water Program as described in this Division.)

Effective Date	Untreated Water	Treated Water
1/1/2003	\$236.00	\$294.00

(b) The rates for water established by Section 4401(a) shall not apply to water sold and delivered by the District to any purchaser other than a member public agency; and said rates for water shall not apply to water sold and delivered by the District for any use outside the District, or to water sold and delivered by the District for any use within the District in substitution for water used outside the District, regardless of whether or not such water be purchased by, or delivered pursuant to the order of, any member public agency; but such water shall be sold and delivered pursuant to such contract and upon such terms and conditions as the Board shall authorize and determine for each such transaction.

(c) For purposes of agreements existing as of January 1, 2003 under the Local Resource Program, Local Projects Program, Groundwater Recovery Program and other similar programs, references to the “full service treated water rate,” “treated non-interruptible water rate” or “other prevailing rate” or to the “reclaimed water rate” or “recycled service rate” shall be deemed to refer to the sum of the System Access Rate, Water Stewardship Rate, System Power Rate, the expected weighted average of Tier 1 Supply Rate and Tier 2 Supply Rate (equal to the estimated sales revenues expected from the sale of water at the Tier 1 and Tier 2 Supply Rates divided by the total District sales in acre-feet expected to be made at the Tier 1 and Tier 2 Supply Rates), the Capacity Reservation Charge expressed on a dollar per acre-foot basis and Treatment Surcharge.

**§ 4402. Readiness-to-Serve Charge.**

The readiness-to-serve charge shall be set by the Board from time to time to recover the costs of emergency system storage and the cost of system conveyance capacity for peak and standby use not recovered by property tax revenue. The readiness-to-serve charge will be

allocated among the member public agencies (i) through December 31, 2002, in proportion to the average of Metropolitan water sales (in acre-feet) to each member public agency during the three fiscal year period ending June 30, 1996; provided that long-term seasonal storage service, cyclic storage, and direct groundwater replenishment deliveries and water taken under the one-time drought storage agreement, Cooperative Storage Program through April 12, 1994, 1993 Demonstration Program and cooperative storage purchases paid for in fiscal year 1995-96 shall be subtracted from the water sales calculation, and (ii) beginning January 1, 2003, in proportion to the average of deliveries (including exchanges and transfers) through Metropolitan's system (in acre-feet) to each member public agency during the ten-year period ending June 30, 2001; and thereafter as a ten-year rolling average; provided that Metropolitan sales of reclaimed water under the Local Projects Program and groundwater under the Groundwater Recovery Program and deliveries under Long-Term Seasonal Storage Service and Interim Agricultural Water Service shall not be included in the water deliveries calculation.

(b) The readiness-to-serve charge shall be due monthly, quarterly or semiannually, as agreed upon by Metropolitan and the member public agency. If a standby charge is collected on behalf of a member public agency, the member public agency will be credited for the amount of net collections. This charge is subject to the provisions of Sections 4507 and 4508.

(c) The Chief Executive Officer shall establish and make available to member public agencies procedures for administration of the readiness-to-serve charge, including filing and consideration of applications for reconsideration of their respective readiness-to-serve charge. The Chief Executive Officer shall review any applications for reconsideration submitted in a timely manner. The Chief Executive Officer shall also establish reasonable procedures for the filing of appeals from his determination.

#### **§4403. Capacity Reservation Charge and Peaking Surcharge.**

(a) The capacity reservation charge and peaking surcharge shall be set by the Board from time to time. The capacity reservation charge shall be set to recover the cost of distribution capacity that is used for peaking. The capacity reservation charge will be payable by each member agency for system capacity (on a per cubic foot per second basis) requested by the member agency. The peaking surcharge shall be levied on the member agency's maximum daily flow (excepting for that flow associated with the delivery of Long-Term Seasonal Storage Service) during May 1 through September 30 that exceeds its requested capacity amount.

(b) The capacity reservation charge shall be due monthly, quarterly or semiannually, as agreed upon by Metropolitan and the member public agency. The peaking surcharge will be levied one time each year for flows (excepting for that flow associated with the delivery of Long-Term Seasonal Storage Service) in the preceding year that exceed a member public agency's requested capacity and will be payable within 60 days of the District's invoice for the peaking surcharge. The peaking surcharge will be levied on the maximum amount of flow (excepting for

that flow associated with the delivery of Long-Term Seasonal Storage Service) that exceeds the requested capacity only. A member public agency may increase or decrease its requested capacity amount annually.

(c) For the three years ending December 31, 2005, Peaking Surcharge revenues recovered from the member agency for use of system capacity that exceed the greater of the member agency's requested capacity or 75% of the member agency's maximum day demand for the five years ending June 30, 2001, shall be made available to member agencies (in proportion to such member agency's payment of the Peaking Surcharge) to be used for the purposes of defraying the costs of capital investments that will reduce peak day demands on Metropolitan's system. Such monies will be made available during the year following the year in which the Peaking Surcharge was incurred. This provision shall expire and be of no further effect on December 31, 2005.

(d) Each member agency shall provide the Chief Executive Officer with written notice of its requested capacity amount (in cubic feet per second) to be in effect for the subsequent calendar year no later than October 31 of each year. If a member agency fails to provide such notice by such date, the preceding year's request shall apply.

#### **§ 4404 Purchase Orders.**

(a) The Chief Executive Officer shall establish and make available to member public agencies the form of the Purchase Order and procedures for its administration. The Chief Executive Officer shall establish a deadline by which all Purchase Orders shall be executed by member public agencies that desire to enter into such agreements with the District. Following the deadline established by the Chief Executive Officer, no member public agencies will be allowed to execute Purchase Orders.

(b) The term of the initial Purchase Orders shall be from January 1, 2003 through and including December 31, 2012. All Purchase Orders in effect shall be on substantially the same terms and for the same term. Any amendments to Purchase Orders shall be subject to approval by the Board.

(c) Each member public agency executing a Purchase Order shall commit to purchase at least its Purchase Order Commitment during the term of the Purchase Order.

(d) A member public agency that executed a Purchase Order shall be permitted annually to purchase up to 90% of its Initial Base Firm Demand at the Tier 1 Supply Rate for the term of the Purchase Order.

(e) When a member public agency has purchased at least its Purchase Order Commitment the minimum purchase requirement of the Purchase Order will be fulfilled.

(f) If, upon expiration of the term of the Purchase Order, a member agency has purchased an amount of water less than its Purchase Order Commitment, the member public agency shall pay Metropolitan an amount equal to the difference between its Purchase Order Commitment and its actual purchases during the term of the Purchase Order, times the Tier 1 Supply Rate in effect in the last year of the Purchase Order term.

(g) All water deliveries under a Purchase Order shall be subject to the operational conditions and constraints contained in this Division. In addition, all billings and payments for such water shall be subject to the provisions of this Division in the same manner as other water delivered by Metropolitan.

**§ 4405. Wheeling Service.**

(a) Subject to the Chief Executive Officer's determination of available system capacity, Metropolitan will offer wheeling service. The determination whether there is unused capacity in Metropolitan's conveyance system, shall be made by the Chief Executive Officer on a case-by-case basis in response to particular requests for wheeling.

(b) The rates for wheeling service shall include the System Access Rate, Water Stewardship Rate and, for treated water, the Treatment Surcharge, as set forth in Section 4401. In addition, wheeling parties must pay for their own cost for power (if such power can be scheduled by the District) or pay the District for the actual cost (not system average) of power service utilized for delivery of the wheeled water. Further, wheeling parties shall be assessed an administration fee of not less than \$5,000 per transaction.

**Chapter 5**

**WATER SERVICE REGULATIONS - GENERAL**

Sec.

- 4500. Adoption of Regulations
- 4501. Obligation to Pay for Water Delivered
- 4502. Liability and Indemnification
- 4503. Suspension of Deliveries
- 4504. Rates of Flow
- 4505. Estimates of Water Requirements and Schedules of Deliveries
- 4506. Metering of Water
- 4507. Billing and Payment for Water Deliveries
- 4508. Additional Payment and Reporting in the Event of Delinquency in Payment for Water
- 4509. Water Restricted to Use Within the District
- 4510. Application of Regulations
- 4511. Notices
- 4512. Sales Subject to System and Water Availability
- 4513. Equal Opportunity Requirements
- 4514. Seasonal Storage Service
- [4515. Repealed]
- [4516. Repealed]
- 4517. Cooperative Storage Program

**§ 4500. Adoption of Regulations.**

Subject to all applicable provisions of the Metropolitan Water District Act, as said Act may be amended from time to time, the following regulations shall govern the service of water by the District.

**§ 4501. Obligation to Pay for Water Delivered.**

(a) All water delivered through any service connection to a member public agency for use within the member public agency shall be supplied in accordance with the provisions of the Metropolitan Water District Act and the rules and regulations of the District governing such service, as set forth in Chapter 5 and Chapter 9. The District shall bill the member public agency for all water delivered through the service connection, and the member public agency shall pay the District for all water so delivered at the rate or rates and within the period from time to time fixed by the Board.

(b) In the event that any member public agency shall request in writing a delivery of water directly by the District into any distribution system owned by some other agency which serves

water within the corporate area of the member public agency, the member public agency shall be obligated to pay the District for all water so delivered at the rates and under the conditions from time to time fixed by the Board; and such delivery into such other system shall constitute delivery to such member public agency for the purpose of these regulations.

(c) Member public agency system losses of District-supplied water are losses that are inherent in the operation of a water distribution system. These include losses occasioned by evaporation, seepage, spillage, leakage, pipeline failure, or system testing. Such losses shall be charged to a member public agency in direct proportion to the classes of service in which they occur and at the rates prescribed in Section 4401 for water sold and delivered for each such class of service. Such system losses shall not affect a member public agency's obligation to sustain an interruption or reduction in the delivery of water as set forth in this Code.

#### **§ 4502. Liability and Indemnification.**

Neither the District nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water supplied or delivered by the District to a member public agency after such water has been delivered to such member public agency; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water beyond the point of such delivery; and the member public agency shall indemnify and hold harmless the District and its officers, agents, and employees from any such damages or claims of damages, and shall reimburse the District for costs of repair of the District's facilities and other damages resulting from the operations of the member public agency. Neither the member public agency nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water prior to such water being delivered to the member public agency; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water prior to its delivery to such member public agency, excepting, however, claims by the District for costs of repair to the District's facilities and other damages resulting from the operations of the member public agency; and the District shall indemnify and hold harmless the member public agency and its officers, agents, and employees from any such damages or claims of damages, except claims by the District for costs of repair of the District's facilities and other damages resulting from the operations of the member public agency.

#### **§ 4503. Suspension of Deliveries.**

Whenever repairs or maintenance of the District's system, in the opinion of the Chief Executive Officer of the District, shall require suspension of delivery of water at any point or points, such delivery may be suspended without liability on the part of the District; provided, that except in cases of emergency, as determined by the Chief Executive Officer, notice of such

suspension of service shall be given to the affected member public agency in advance of such suspension.

Each member agency should have a seven-day supply of water in case of an interruption in Metropolitan deliveries. Except in cases of emergency, the District will notice long term (over seven days) shutdowns at least one year in advance and produce a shutdown schedule in September for shutdowns less than seven days.

Seasonal Storage Service certifications will be adjusted for the reduction of credits that are accrued due to shutdowns that are greater than seven days. No adjustments will be made for shutdowns seven days or less unless the member agency provides a service to the District by serving another member agency in-lieu of District deliveries during a shutdown even if the shutdown is seven days or less.

**§ 4504. Rates of Flow.**

(a) Within any 24-hour period, changes in rate of flow through any service connection serving a member public agency will be limited to ten (10) percent above and below the previous 24-hour average rate of flow except when a specific request for a change in rate that would exceed such limitations has been made to the District; such requests (1) shall be made at least 6 hours in advance of the time such change is to be made; (2) shall be approved by the Chief Executive Officer only if in his judgment the change would not adversely affect the District's ability to apportion available water equitably. The Chief Executive Officer is hereby authorized to reduce the maximum obtainable rate of flow at any service connection where this regulation is being violated and in the event the capacity of the distribution system is insufficient to accommodate the above mentioned daily fluctuations in delivery rate, the Chief Executive Officer shall regulate the rates of flow at any or all service connections so as to assure equitable service to all agencies. However, the District will endeavor to meet all reasonable demands for service so long as comparable service can be provided to all member public agencies being served from a related section of the District's distribution system.

(b) When flow through a service connection serving a member public agency is reduced below ten (10) percent of the requested or actual maximum design capacity of the meter, whichever is less, at that connection during a period when the service connection turnout valve is in the open position, the member public agency will be charged as though a flow equaling ten (10) percent of the capacity of such meter were being delivered, as determined by the Chief Executive Officer, unless the District has been advised by the member public agency that no deliveries are required at that connection for a specified period. This Section 4504(b) shall not apply to those service connections which are not connected to pressure pipelines of the District or to those service connections being operated intermittently in a manner determined by the Chief Executive Officer to be of benefit to the District under conditions such that when flow does occur at these service connections it exceeds ten (10) percent of the meter capacity. The Chief

Executive Officer shall have the power to waive the requirements of this Section 4504(b), with respect to any meter where the agency served by the meter is doing everything within its capability, as determined by the Chief Executive Officer, to adjust its facilities and operations so as to be able to take delivery at rates of flow not less than ten (10) percent of the requested or actual maximum design capacity of the meter, whichever is less, at that connection during a period when the service connection turnout valve is in the open position.

(c) When flow through a service connection serving a member public agency is increased above the actual maximum design capacity of the meter, the member public agency will be charged as though a flow equaling one hundred and twenty-five (125) percent of the capacity of such meter were being delivered, as determined by the Chief Executive Officer.

(d) The Chief Executive Officer shall have the power to waive the provisions of Sections 4504(a), 4504(b) and 4504(c) for a specified period with respect to any service connection if in his judgment such a waiver will serve to accomplish the current objectives of the District and will not adversely affect the operation of the District's distribution system or impair its ability to provide service to all member public agencies.

**§ 4505. Estimates of Water Requirements and Schedules of Deliveries.**

(a) General. - Before April 1 of each year, each member public agency shall furnish the District, in form provided by the District, with an estimate of the amounts of water to be furnished to such member public agency by the District. These estimates will be used by the District in planning the construction needed to complete the District's ultimate aqueduct and distribution system; in planning the future operation of such system; and in preparing notices for submission to the State Department of Water Resources which will be used by the State to order power for pumping on the State Water Project.

(b) Contents of Estimates

(1) Each estimate furnished by a member public agency pursuant to Section 4505(a) shall contain, as a minimum, for each service connection and for each month of the year beginning with the succeeding July 1, and for the entire member public agency for each month of the succeeding four years, the following information:

(i) The quantity of water to be delivered by Metropolitan to the member public agency in full service.

(ii) The quantity of water to be delivered by Metropolitan to the member public agency in Interim Agricultural Water Program service.



(iii) The quantity of water to be delivered by Metropolitan to the member public agency in Seasonal Storage Service.

(iv) With regard to water estimated to be delivered in full service, the quantity of water to be used for seawater barrier groundwater replenishment.

(v) With regard to water estimated to be delivered in Seasonal Storage Service, the quantity of water to be used for:

(aa) In-Lieu Groundwater and Long-Term Storage purposes, exclusive of groundwater replenishment by spreading or injecting and direct reservoir storage; and

(bb) Groundwater replenishment by spreading or injecting.

(cc) Direct Reservoir Storage.

(2) The estimate shall constitute the member public agency's request for deliveries for the first of the five years covered therein.

**§ 4506. Metering of Water.**

All water delivered by the District shall be metered. Meter readings shall be made on or about the last day of each calendar month for billing purposes. Meters and control valves on water lines of the District shall be owned and operated by the District. Any member public agency may have any meter through which water is served from the District's facilities to any area within such member public agency tested by the District at any time. Any member public agency affected shall have the right to be represented by a qualified observer at and during any such tests. In the event that any such test shall disclose an error exceeding 2 percent, an adjustment shall be made in charges made to the affected member public agency, covering the known or estimated period of duration of such error, but in no event exceeding six months, and the expenses of such test shall be borne by the District; otherwise, such expense shall be borne by the member public agency requesting such test.

**§ 4507. Billing and Payment for Water Deliveries.**

(a) **Timeframe for Billing and Payment.** Except as noted hereinbelow, invoices shall be mailed not later than the tenth day of the month following delivery to a member public agency. Each such invoice shall indicate the date of mailing and the date on which the payment thereunder becomes delinquent and shall show the total amount of water delivered for each class of service, the charges for water sold and delivered for each class, the readiness-to-serve and capacity reservation charges, as applicable, and the total amount due and owing, all as

determined by the Chief Executive Officer. Payment of the amount shown on any such invoice shall be due on the last business day of that month and shall be delinquent if not received by the Treasurer of the District before the close of crediting activity on the last business day of the first month following such date of mailing. When making any such payment the member public agency shall specify the invoice or invoices to which the payment shall be credited by the District.

(1) For purposes of Section 4507(a), "business day" shall mean any day other than a Saturday, a Sunday, or a Holiday (as defined in Section 1106).

(2) For purposes of Section 4507(a), "received by the Treasurer of the District" shall mean receipt either (1) in the office of the Treasurer or (2) by crediting pursuant to advance agreement with the Treasurer to the District's general demand account at the District's principal depository bank, in such form that the funds are immediately available for investment or other use or disposal by the District.

(3) For purposes of Section 4507(a), "crediting activity" shall mean either (1) 2:00 p.m. if payment is delivered to the office of the Treasurer, or (2) the cutoff time for crediting by the District's principal depository bank of that day's transactions if payment is initiated by wire transfer, automated clearinghouse transfer, interbranch transfer, direct deposit, or by other means pursuant to advance agreement with the Treasurer.

If, under advance agreement with the Treasurer, a member agency has authorized payment of any invoice by automated clearinghouse transfer initiated by the Treasurer, the Treasurer shall initiate such transfer for processing two business days prior to the business day on which such payment shall be delinquent. Failure of such transfer shall not relieve such member agency from liability for such payment or charges in the event such payment should become delinquent, except as specifically provided under advance agreement with the Treasurer.

(b) **Exclusive Interim Agricultural Water Program Facility.** In the event water delivered by the District through a particular facility is used exclusively for Interim Agricultural Water Program purposes and the member public agency desires to be charged therefor at the rates for water sold and delivered for Interim Agricultural Water Service provided in Section 4401, a statement relating the facts concerning the use of water delivered through each such facility must be certified to the District in writing by a responsible officer of the member public agency at least 30 days prior to the end of each one-month period during which such deliveries are made. In cases where such use of all water delivered through a particular facility will remain the same for an extended period the initial or current certification will remain in effect until the use of the water from a certified exclusive use service connection changes. At that time a new statement relating the facts concerning the use must be re-certified to the District within 30 days.

(c) **Full Service and Interim Agricultural Water Program Facility.** In cases where water through a particular facility is delivered during any month for both full service and Interim Agricultural Water Service, the bill for water delivered in such month will be prepared by applying the rates for water sold and delivered in full service to the total quantity of water delivered. If the member public agency desires to receive credit for such water so delivered as was used in Interim Agricultural Water Service the facts concerning the quantities of water so used must be certified to the District in writing by a responsible officer of the member public agency purchasing such water as set forth in Section 4507(f) and each such certification shall cover a period of not more than one calendar month. The value of such credits shall be based on the difference in water rates in effect at the time the water is used, regardless of the date of delivery.

(d) **Exclusive Direct Groundwater Replenishment Facility.** In the event water delivered by the District through a particular facility is used exclusively for direct groundwater replenishment through spreading the member public agency shall be charged therefore at the rates for water sold and delivered for Seasonal Storage Service as set forth in Section 4401, when Seasonal Storage Service is available as determined by the Chief Executive Officer. When Seasonal Storage Service is not available, the member public agency shall be charged at the rates for water sold and delivered for full service as set forth in Section 4401.

(e) **Full Service, Interim Agricultural Water Program, and Seasonal Storage Service Program Facility.** In cases where water through a particular facility is delivered during any month for full service or Interim Agricultural Water Service or both, and for Seasonal Storage Service, the bill for water delivered in such month will be prepared by applying the rates for water sold and delivered in full service to the total quantity of water delivered. In addition to the procedures for crediting Interim Agricultural Water Program Service, if the member public agency desires to receive credit for water used in Seasonal Storage Service the facts concerning the quantities of water so used must be certified to the District in writing or electronically by computer modem or otherwise by a responsible officer of the member public agency purchasing such water as provided for in Section 4507 (f) and (h). The amount of such credits shall be based on the difference in water rates in effect at the time the water is used.

(f) **Late Certifications.** Based on available information, the District will notify a member agency for any certification that it has not received, if known, three months from the end of the month for which the agency would normally certify. No certification received after six months following the end of any month in which such a credit is claimed will be accepted. Certifications must be received by Metropolitan before 3:30 p.m. on the third working day after the end of the month to receive credit for any preceding month on the next bill, subject to the provisions with respect to late certifications in this Section. This Section applies to all cases where a certification is required to receive a credit, whether or not specifically named in this Section, unless otherwise provided by this Code.

**(g) Ratio of Water Use for Full Service and Interim Agricultural Water Program Service.** In the event water is delivered by the District into facilities into which water from other sources also is delivered, and the combined waters are used for Interim Agricultural Water Program Service and for full service, then the quantity of water for which the member public agency shall, upon filing the required certifications of usage, be charged at the rates charged for water sold and delivered in Interim Agricultural Water Program Service during any month shall be a ratio equal to (1) the total District Full Service supply to the participating agency's system divided by (2) the total quantity of combined waters supplied for all purposes during such month. This ratio shall be applied to total agricultural use which is intended for participation in the Interim Agricultural Water Program. This ratio will also be applied to system gains, losses and differences because of timing of meter readings attributable to Interim Agricultural Water Program use and in accordance with Section 4501 (c) of this Code.

**(h) Provisions Regarding the Sale, Delivery, and Use of Interim Agricultural Water Program Water.** In order for any member public agency to be charged at the rate charged for water sold and delivered in Interim Agricultural Water Program Service, such member public agency shall be subject to and shall observe the following provisions regarding the sale, delivery, and use of such water:

(1) All water sold for use for Interim Agricultural Water Program Service shall be metered, either at the District's meter where all downstream water deliveries are exclusively for Interim Agricultural Water Program purposes, or at the point where the downstream section of an agency's distribution system is used exclusively to deliver water for Interim Agricultural Program Water service, or at the point of delivery to the Interim Agricultural Program Water user.

(2) When the water delivered to a final user through a single meter is used for Interim Agricultural Water Program Service and incidental domestic uses related to residency, such final user shall be charged for, and the Interim Agricultural Water Program certification submitted to the District shall reflect, at least .06 acre-feet of water per month per single family dwelling as water sold and delivered in full service, and the balance as water used for Interim Agricultural Water Program Service. If a higher constant than .06 acre-feet is used under the retail rate structure, the certification shall reflect that higher constant.

(3) All certifications as to the Interim Agricultural Water Program use of District supplied water must be on forms provided by the District and be accompanied by data and calculations reflecting the method used in determining the quantities certified.

In the absence of the submission of certificates reciting the facts concerning the usage of water for Interim Agricultural Water Program Service, and stating that such usage was in conformity with the provisions described herein, it shall be conclusively presumed that the water was used for full service, and the District's billing shall be on this basis.

(i) **Determination by Chief Executive Officer as to Type of Delivery.** In the event the respective quantities of water sold and delivered in any month on order of any member public agency for use therein in Interim Agricultural Water Program Service or Seasonal Storage Service are not determinable to the satisfaction of the Chief Executive Officer in time for preparing regular monthly bills therefor, then billing and payment for all water sold and delivered in such month to such member public agency shall be made at the rates prescribed for water used in full service in Section 4401(a)(1) hereof. Upon the determination by the Chief Executive Officer of the correct quantities of water sold and delivered and used in Interim Agricultural Water Program Service or Seasonal Storage Service, any adjustment which is necessary to give effect to the reduced rates applicable to water used in Interim Agricultural Water Program Service or Seasonal Storage Service shall be made by application of credits on subsequent purchases of water from the District by such member public agency. Such adjustments shall not be made in cases where a claim for the reduced rates is not submitted within the period provided in Section 4507(f).

(j) **Obligation to Pay for Appropriate Class of Service.** If water has been sold and delivered at the rates prescribed for water sold in Interim Agricultural Water Program Service, Seasonal Storage Service, or other water program or contract and appropriate certifications have been submitted for the water so used, but the water has in fact been used in full service or another class of service, the member public agency shall be obligated to pay the difference between the rates prescribed for water sold for Interim Agricultural Water Service, Seasonal Storage Service, or other water program or contract and the rates prescribed for the class of service actually used.

(k) **Submission of Documentation by Member Agency.** With respect to water sold and delivered at the rates prescribed for water sold in Interim Agricultural Water Program Service, or other water programs (unless otherwise specified in an agreement with the District or excluding Seasonal Storage Service which shall follow the provisions outlined in its Handbook) original documentation supporting the use of such water as certified must be submitted no later than December 31 following the end of the fiscal year in which a certification is submitted. If the documentation is not submitted by December 31 following the end of the fiscal year in which a certification is submitted, an agency will receive a late penalty of \$2,500. If the agency does not submit documentation by February 28/29 following the end of the fiscal year in which a certification is submitted, it shall be conclusively presumed that:

(1) The water sold from the District was used for full service, and the District's next monthly billing shall reflect such adjustment; or

(2) The yield was not produced as certified and the District's next monthly billing shall reflect such adjustment.

This provision will apply individually to each program or agreement that an agency or sub-agency participates in separately.

(1) **Review Process.** With respect to water sold and delivered at the rates prescribed for water sold in Interim Agricultural Water Program Service, or other water programs (excluding Seasonal Storage Service which shall follow the provisions outlined in its Handbook) the District will complete its review within twelve months from date of receipt of the original supporting documentation.

(1) Should the District not complete its review within twelve months of the submittal of all source documentation, the review will be considered complete and the certifications final.

(2) When the review is completed, the District will notify the member agency of its initial findings for its comments. The member agency will provide its comments within 60 days. Metropolitan staff and the agency will work together to reconcile any differences.

(3) If the member agency and Metropolitan staff cannot reconcile the differences, Metropolitan's Water System Operations' Group Manager has the responsibility to consult with the member agency and make a final ruling subject to the Chief Executive Officer's oversight. If the ruling is unsatisfactory to the agency, it can be appealed to Metropolitan's Water Planning, Quality and Resources Committee.

(4) If the member agency does not provide further documentation correcting Metropolitan staff findings within the 60 day comment period as specified in (m) (2), then it shall be conclusively presumed that the District's findings are correct and the District's next monthly billing shall reflect such adjustment.

(m) **Discovery of Mistakes or Errors.** In the event a mistake or error is discovered in a District water sales record, the Chief Executive Officer shall initiate appropriate corrective action. No mistake or error made more than three years prior to its discovery shall be corrected unless otherwise specified in an agreement with the District. In the event a mistake or error is discovered by a member agency in its water sales record or certifications, no mistake or error made more than three years prior to its discovery shall be corrected unless otherwise specified in an agreement with the District.

(1) A District water sales record shall include a water billing invoice, or district invoice for other water-related charges.

(2) If the District finds the mistake or error, the discovery of the mistake or error shall be documented in writing to the member agency. The date of discovery for corrective action purposes shall be the date notice is sent to the member agency.

(3) If the member agency discovers the mistake or error, the discovery of the mistake or error shall be documented in writing to the District by either a revised certification form or letter, whichever is applicable. The date of discovery for corrective action purposes shall be the date the certification or letter is received by the District.

(4) If an incorrect invoice has been issued to a member public agency, the Chief Executive Officer shall notify the affected agency of any adjustment and the manner of making any required credit or charge, neither of which shall bear interest.

(5) Mistakes or errors shall also include but are not limited to mistakes or errors in metering or recording deliveries to member agencies, entry or calculation errors in fixed charges, discovery of errors in either a member agency or sub-agency submitted certification(s), or processing of a certification(s) for the Local Projects Program, the Local Resources Program, the Groundwater Recovery Program, Conservation Credit Program, Interim Agricultural Water Program, Seasonal Storage Service Program, or any other water management program or storage programs or agreements unless specified otherwise in the contract.

(6) Any mistakes or error for a fiscal year period that is less than five acre-feet cumulative by agency or sub-agency, by program or agreement, shall be waived.

(n) **Rate Change.** In the event that deliveries of water are made by the District to member public agencies over a billing period during which the District's water rates change, the Chief Executive Officer may cause the meters recording deliveries of water during such period to be read at the end of the period and the statement of charges for such deliveries of water may be based on a proration between the previous and new water rates for the periods of time during which each were in effect as determined by the Chief Executive Officer.

(o) **Supply Rates.** Deliveries to a member public agency shall be charged at the Tier 2 Supply Rate when the cumulative total of full service deliveries to the member public agency for the year exceeds 60 percent of the member agency's Base Firm Demand. A member public agency that executed a Purchase Order shall be charged at the Tier 2 Supply Rate when the cumulative total of full service deliveries to the member public agency for the year exceeds 90 percent of the member public agency's Base Firm Demand.

#### **§ 4508. Additional Payment and Reporting in the Event of Delinquency in Payment for Water.**

In the event any member public agency shall be delinquent in the payment for water delivered and other charges as invoiced by the District, an additional charge equal to two (2) percent of such delinquent payment for each month or portion thereof that such payment remains delinquent shall be assessed, and the member public agency shall pay such charge to the District in addition to the amount of such delinquent payment. Notwithstanding the above, if the total

period of delinquency does not exceed five (5) business days, the additional charge shall be equal to one (1) percent of such delinquent payment. Invoices for delinquencies including additional charges shall be mailed not later than the tenth day of each month. In the event any member public agency shall be delinquent for more than thirty (30) days in the payment for water, such delinquency shall be reported by the Chief Executive Officer to the Board of Directors of the District at its next meeting. The Board, in its discretion and upon such other conditions as it may prescribe after giving the member public agency a reasonable opportunity to be heard, may order the termination of service to such member public agency until all delinquent payments, including additional charges, are made to the District or may authorize such other actions as may be legally available to effectuate collection.

**§ 4509. Water Restricted to Use Within the District.**

In order to insure that water served by the District is not used for the direct or indirect benefit of areas outside the District, the amount of water served by the District's facilities that shall be made available to any member public agency shall be limited to an amount equal to that required for uses within the area of the District lying within, or served by or through, such member public agency. No area lying outside the boundaries of the District shall be served with water from the District's facilities, except as service to such area may, when found to be such by the Board, be a reasonably unavoidable incident to the service of such water within the District, and under such circumstances the amount of water served by the District that shall be made available to any member public agency shall be limited to an amount equal to that required for uses within the area of the District lying within, or served by or through, such member public agency. Any question of fact involved in the application of this Section 4509 shall be finally determined by the Board, after giving the member public agency concerned adequate opportunity to present pertinent factual evidence and the views of such member public agency.

**§ 4510. Application of Regulations.**

The provisions hereof shall not be applicable to service of water to the United States of America, or to any board, department or agency thereof, to the State of California, or to the service of surplus water under contract made in accordance with statute, but such service shall be controlled by the applicable contract.

**§ 4511. Notices.**

All notices and communications from member public agencies of the District, relating to the service of water or the administration of these regulations by the District, shall be addressed to the Chief Executive Officer, Post Office Box 54153, Los Angeles, California 90054.



**§ 4512. Sales Subject to System and Water Availability.**

All sales and deliveries of water at the rates established by Section 4401 shall be subject to the ability of the District to sell and deliver such water under operating conditions determined by the Chief Executive Officer, and, to the extent not inconsistent herewith, shall be subject to the provisions of this chapter, and Chapter 9.

With respect to water delivered for groundwater replenishment purposes, deliveries of such water may be made at the Chief Executive Officer's discretion when water and system capacity are considered available for same.

**§ 4513. Equal Opportunity Requirements.**

Pursuant to contract between agencies of the United States and the District, any delivery of water by the District to a member public agency shall be subject to the following provisions. For the purposes of these provisions only, the member public agency is therein referred to as "Contractor."

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Federal Contracting Officer setting forth the provisions of this nondiscrimination clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without discrimination because of race, color, religion, sex, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Federal Contracting Officer, advising said labor union or workers' representative of the Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by said amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the Federal Contracting Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the Contractor's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be canceled, terminated, or suspended, in whole or in part, and the Contractor may be declared ineligible for further Federal Government contracts in accordance with procedures authorized in said amended Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said amended Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

#### **§ 4514. Seasonal Storage Service.**

(a) General - The goals of the Seasonal Storage Service program are to:

1. Achieve greater conjunctive use of imported and local supplies.
2. Encourage construction of additional local production facilities.
3. Reduce member agencies' dependence on deliveries from Metropolitan during the summer months and periods of shortage.

Member agencies are encouraged to take seasonal water through a discounted rate offered by Metropolitan. This economic incentive encourages local agencies to invest in new water

production, storage, treatment and transmission facilities, or to fully utilize existing facilities. These facilities are needed to augment local agencies' capability to produce local water, as well as store imported water purchased from Metropolitan during periods of abundance.

To receive the lower rates, agencies must certify to Metropolitan the amounts of imported water that they have stored in local reservoirs and groundwater basins by direct and in-lieu means. Certification forms are provided to agencies to assist in their calculations and standardize the certifications. Agencies shall comply with the administrative procedures as set forth in the most current Seasonal Storage Service Handbook, as amended from time to time by the Chief Executive Officer, to receive the Seasonal Storage Service rate on water purchased from Metropolitan.

(b) Storage Types - Seasonal Storage Service water shall be stored for long-term storage.

Long-Term Storage is that water delivered by Metropolitan to a member public agency or sub-agency for storage, by direct or in-lieu methods, beyond the 12-month Seasonal Storage Service period. Under this concept, total annual purchases from Metropolitan increase by the amount of Seasonal Storage water which qualifies for long-term storage. Water that an agency leaves in storage to replace groundwater overdraft in any previous drought year when Seasonal Storage Service was declared unavailable is considered long-term storage.

(c) Normal Period of Availability - Long-Term Storage water service shall be available between October 1 and the following April 30 whenever and so long as the Chief Executive Officer determines that water and system capacity are available. If required for Metropolitan's system regulation, groundwater replenishment by spreading or injecting or water deliveries/sales pursuant to any storage or operating agreement, may be offered to specific member public agencies during any time of the year at the Seasonal Storage Service rate at the Chief Executive Officer's discretion. In the event that excess supplies are available between April 30 and October 1, the Chief Executive Officer may make such supplies available to all agencies at the Seasonal Storage Service rate in accordance with the objectives of this program, unless limited by system constraints. If an agency should take Long-Term Storage water service when it is deemed not available by the Chief Executive Officer then it shall pay the full service rates for that water. With respect to service for direct reservoir storage and for groundwater replenishment by spreading or injecting, service availability may be activated or terminated immediately upon notice by the Chief Executive Officer to affected member public agencies. With respect to service for in-lieu groundwater replenishment or in-lieu reservoir storage, service availability may be activated upon notice to the member public agencies and terminated upon 15 days notice to the member public agencies.

(d) Certification - Member public agencies may receive seasonal storage water service only upon filing of the required certifications specified in Section 4507. All certifications as to

the storage of water under the Seasonal Storage Service Program must be on forms provided by the District or in electronic format acceptable to the District. Receipt of a certification electronically by computer modem or otherwise shall be considered identical to receipt of a written and signed certification binding on the member public agency for all purposes. The Chief Executive Officer may make or cause to be made such investigations as the Chief Executive Officer may require in order to determine the quantities of water to which the seasonal storage rates shall apply. Such investigations may result in revisions either upward or downward in the amount of water actually received in Seasonal Storage Service. No such investigation shall be made unless the member public agency has requested Seasonal Storage Service and submitted the requisite certifications. The Chief Executive Officer may reject any certification if the certifying agency is unable to furnish sufficient documentation as to the facts of the certification.

[Section 4515 - M.I. 38295 - June 12, 1990; repealed by M.I. 41468 - June 13, 1995.]

#### **§ 4517. Cooperative Storage Program.**

(a) The Cooperative Storage Program that provides a means for coordinating storage capacity available to the District's member public agencies, with the District's annual carryover storage needs as those needs are determined under Subsection 4206(c). The purpose of the Program is to place additional amounts of imported water in local storage to improve regional water supply reliability within the District's service area, in a manner that will recognize local costs and risks of participating in the program, but will not adversely impact either the District's finances or the member public agencies' ability to participate in the Seasonal Storage Service Program.

(b) Storage Allocation - The Chief Executive Officer shall allocate needed storage by reservoir and by groundwater basin to optimize the availability and usefulness of the storage to the District; and shall administer the Program so that, in any fiscal year, Program water in storage shall be accessible to offset demands on the District that year by the participating member public agency pursuant to subsection (h).

(c) Availability of Water for Storage - The Chief Executive Officer may make water available during the period May 1 through September 30, for storage under the Cooperative Storage Program, upon notice to the respective participating member public agency, subject to a determination that the storage will increase the District's ability to receive imported water supplies.

(d) Application for Participation - Member public agencies may apply for participation in the Cooperative Storage Program by filing a written application containing at least the following:

(1) A verified statement that the member public agency will comply with the requirements of this section.

(2) A water supply and demand estimate based on historical data to ensure that:

(i) The agency's participation in the Program will not offset its firm purchases of water from the District, and

(ii) The agency will store additional imported District water.

(iii) The estimate may be updated if conditions change, provided the updating is first agreed to in writing by the agency and the District.

(3) A proposal for placing water provided by the District under this Program in storage available to the member public agency, and for administering that storage pursuant to this Section.

(4) An estimate of any expected losses of Program water while that water is in the proposed storage, and the method of estimating those losses.

(5) Evidence of compliance with the California Environmental Quality Act prior to delivery of imported water for placement in Program storage.

(6) If more than one member public agency overlies a common groundwater basin, the overlying member public agencies may file a joint application, with each such agency providing a separate water supply and demand estimate for its respective service area pursuant to subsection (d)(2) and any other separate information the Chief Executive Officer may require.

(e) Approval for Participation - The Chief Executive Officer shall approve an application for participation in the Program upon determination that it is consistent with the requirements of this section. The Chief Executive Officer shall approve the application in writing which shall include a monthly estimate of total demand, water purchased from Metropolitan, available local supplies, and the maximum quantity of District water which shall qualify for storage under the Program, and those figures shall be approved by signature of a duly authorized representative of the participating member public agency prior to storage of water under the Program. Any later modification to said figures must be approved by both parties in writing. The application of any modification shall not be effective until approved in writing. The District shall conduct end-of-the-year verifications of stored water.

(f) Storing Process

(1) The District will deliver at its cost, available imported water to the respective participating member public agency at its appropriate District service connection, for Program storage by direct or in-lieu methods, following verbal or electronic acceptance by that agency. This delivery shall be deemed to be a Cooperative Storage Program sale by the District to the member public agency as defined in Section 4118, subject to the payment requirements of subsection (i) and (j) of this Section.

(2) The agency will, at its cost, cause the water to be placed in storage in a manner that meets all applicable storage requirements; and shall warrant that the stored water shall not be withdrawn or used until after the District releases the stored water pursuant to this Section.

(3) Program water delivered to a member public agency shall not offset a firm water sale of District Water by that agency. If a participating member public agency's firm water purchases from the District on a monthly basis during the May through September period are less than the District's firm water sales on a monthly basis during the same period in any one of the last five years, the agency must clearly demonstrate to the District, in writing, that such reduction occurred due to the availability of unexpected local water supplies. Any resulting change in the baseline established pursuant to Subsection (e) shall be approved in writing by the Chief Executive Officer prior to becoming effective. Should the agency fail to make the required demonstration, the District shall bill the agency at the firm water rate for that portion of Cooperative Storage water delivered which will bring the firm water sales up to the agreed base amount of firm water for the month(s) in question.

(g) Storage Accounting

(1) Each participating member public agency shall maintain a Program storage account for Program water it stores, which shall account for monthly deliveries, releases, and storage losses approved by the District, if any, and other information which the Chief Executive Officer shall deem necessary.

(2) The District shall bear reasonable and equitable losses of stored water provided that the Chief Executive Officer approves the respective member public agency's justification of the loss criteria prior to placement of water into storage and shall consider those losses in allocating Program storage. Otherwise the District shall not bear any loss of stored water.

(3) Water stored under this Program shall be stored by a participating agency in such a manner as to assure that such water can be produced by that agency when released by

Metropolitan. Program water delivered to a member public agency for storage shall be considered local water produced in that year for purposes of Seasonal Storage Service.

(h) Release of Stored Water - The Chief Executive Officer shall release stored Program water to the participating member public agency in which it is stored under the following criteria:

(1) Water Delivered to Storage Prior to 1995

(i) In an fiscal year when Seasonal Storage Service deliveries are available, the Chief Executive Officer may release, up to half of the Program water stored by the respective member public agency, in place of the agency's request for delivery of Seasonal Storage Service through the District's distribution system, except for conditions described in provisions (iv) and (v) of this subsection;

(ii) In a fiscal year in which Seasonal Storage Service or Full Service deliveries have been suspended, the Chief Executive Officer shall release, and the participating member public agency shall accept, up to half of the Program water stored by the respective public agency, to the extent the agency requests that release, except for conditions described in provisions (iv) and (v) of this subsection;

(iii) During an emergency such as an earthquake, when District water service is interrupted, the Chief Executive Officer shall release up to all stored Program water stored by the respective member public agency, to the extent of the interruption in water service and that the agency requests that release;

(iv) When the Program water stored by the respective member public agency is less than ten percent of the agency's average annual purchase of Seasonal Storage Service deliveries for the prior four years, the Chief Executive Officer may release all of the Program water stored by the agency;

(v) In any fiscal year during which a participating member public agency's Seasonal Storage Service or Program water release request is less than its average annual purchase of Seasonal Storage Service of the prior four years, the Chief Executive Officer may release the Program water stored by the respective member public agency in combination with Seasonal Storage Service sales up to the agency's four-year average Seasonal Storage Service purchase. The District shall not release more than half of the Program water stored by the respective member public agency for this purpose and shall provide the agency with a 90-day advance notice of the release.

(2) Water Delivered to Storage After 1994

(i) The Chief Executive Officer may release in a fiscal year up to one-third of the total amount of Program water placed in storage by a respective member public agency in place of that agency's request for delivery of water from the District's distribution system or for Seasonal Storage Service, in order to fill Diamond Valley Lake, meet operational requirements, or reduce or eliminate shortages. Program water used to reduce or eliminate shortages, or for operational requirements may be released during any ten months selected by the Chief Executive Officer during a twelve-month period from the time of release. Program Water may be released at any time in place of the agency's request for Seasonal Storage Service.

(ii) Upon release of Program water by District, the participating member agency shall furnish to District, within 60 days, water supply and demand data based on historical information sufficient to document that it has produced the amount of Program water released to it.

(iii) The Chief Executive Officer shall release stored Program water to the respective member public agency no later than ten years after delivering it to that agency for storage.

(iv) If a member public agency receives delivery of Program water for storage after 1994, any Program water that agency has stored in previous years shall also be subject to the release provisions of this subsection (h)(2).

(v) Participating Member Public Agencies may transfer Program water they have placed into storage under the Program into other long-term water storage programs the District may develop as part of its Integrated Resource Plan under mutually agreeable transfer terms, executed in writing by both parties.

(i) Payment

(1) The participating member public agency shall pay the District's incremental costs of delivering Program water for storage plus interest at the average yield on the District's investment portfolio, from the date of delivery to the member public agency to the date of the invoice. Pursuant to the provisions of Section 4507, the District will invoice the member public agency on or about July 10 of the calendar year following the year in which the water is delivered

(2) At the time the Chief Executive Officer releases stored Program water to the respective participating member public agency the District shall invoice the respective



participating member public agency pursuant to the provisions of Section 4507, at the applicable treated or untreated Seasonal Storage Service rate in effect when the respective Program water was placed in storage, less any previous payment for the incremental costs of delivering the water for storage (but not including credit for the interest required by subsection (i)(1)).

(3) Water released from storage to the participating member public agency shall be the oldest water then in storage.

(4) Readiness-to-Serve Charge Treatment.

(i) Program water delivered to storage prior to April 12, 1994 shall be exempted from the Readiness-to-Serve charge determination. Those charge determinations shall be applied to water delivered to storage after that date, except as applied in (ii) below, when the stored water is released to the participating member public agency.

(ii) The Readiness-to-Serve charge for Program water delivered for storage in 1995 shall be \$36 per acre foot and will be paid monthly as the water is released to the member public agency.

(j) Penalty - A participating member public agency shall pay the applicable treated or untreated Full Service water rates for Program water the District delivers to it for placement in storage, to the extent it fails to comply with all the requirements of this Section.

(k) Indemnification - Participating member public agencies shall indemnify and defend the District, its employees, officers and directors for any injuries or damages that may be caused as a result of placing Program water in storage, storage itself, or storage releases and related withdrawal or use of Program water.

**[Chapter 6 - repealed by M.I. 41468 - June 13, 1995]**

**[Chapters 7, 8 and 9 – no amendments]**