MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

BOARD ACTION

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

March 11, 2003 Board Meeting

9-1

Subject

Adopt (1) recommended water rates and charges; and (2) resolutions to impose charges, for fiscal year 2003/04

Description

This letter recommends approval of: (1) the recommended rates and charges effective January 1, 2004, as discussed in this letter; (2) the resolution to impose the Readiness-to-Serve Charge (RTS) (including the Water Standby Charge) for FY 2003/04, effective January 1, 2004; (3) the resolution to impose the Capacity Charge with changes in its method of calculation effective January 1, 2004, and (4) the necessary changes in the Administrative Code.

Metropolitan Water District Administrative Code § 4304(c) requires the 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 Budget, Finance and Investment Committee at which interested parties may present their views of the recommendations. In December 2002, the Budget Finance and Investment Committee considered the CEO's determination of the revenues to be derived from water rates and charges during FY 2003/04 in Committee Letter 6a, entitled "Determination of water revenue requirements for FY 2003/04," and approved moving forward with the rate setting process. In February 2003, a public hearing was held before the Budget, Finance and Investment Committee at which interested parties were provided an opportunity to comment on the recommended rates and charges. Public comments received are included as **Attachment 1**.

The recommended rates and charges to be effective January 1, 2004, reflect Metropolitan's revised rate structure, which was initially effective January 1, 2003. The cost-of-service analysis supporting the recommended rates and charges is included in **Attachment 2**, "Metropolitan Water District of Southern California, FY 2003/04 Cost of Service," and is consistent with the cost-of-service process approved last year.

The CEO's recommendation for water rates and charges for the coming fiscal year is shown in Table 1, "Recommended Rates and Charges." The overall increase in rates and charges revenue for FY 2003/04 is estimated to be approximately 2 percent as a result of a proposed $10-per-acre-foot increase in the treatment surcharge. This represents the first increase in Metropolitan's rates and charges since January 1997. In addition, it should be noted that certain elements of the unbundled rate are increasing while others are decreasing, reflecting changes in Metropolitan's cost of service. An increase in the system access rate and water stewardship rate would be offset by a decrease in the system power rate, resulting in no change to the untreated cost of water.

The recommended rates and charges were determined based on a total revenue requirement of $935.1 million for FY 2003/04. The existing rates, which are effective through December 31, 2003, and the recommended rates, which are effective January 1, 2004, are estimated to generate a combined revenue of $859.9 million. This assumes total sales of 2.07 million acre-feet. It is estimated that about $76 million from the water rate stabilization fund will be utilized to meet obligations during FY 2003/04. Details of the cost of service by rate element are included in **Attachment 2**.

Table 1. Recommended Rates and Charges

Description:	(Effective January 1, 2003)	(Effective January 1, 2004)
Tier 1 Supply Rate ($/af)	$73	$73
Tier 2 Supply Rate ($/af)	$154	$154
System Access Rate ($/af)	$141	$163
System Power Rate ($/af)	$89	$60
Water Stewardship Rate ($/af)	$23	$30
Full Service Untreated Volumetric Cost ($/af)	N/A	N/A
Tier 1	$326	$326
Tier 2	$407	$407
Replenishment Water Rate Untreated ($/af)	$233	$233
Interim Agricultural Water Program Untreated ($/af)	$236	$236
Treatment Surcharge ($/af)	$82	$92
Full Service Treated Volumetric Cost ($/af)		
Tier 1	$408	$418
Tier 2	$489	$499
Replenishment Water Rate Treated ($/af)	$290	$300
Interim Agricultural Water Program Treated ($/af)	$294	$304
Readiness-to-Serve Charge ($M)	$80.0	$80.0
Capacity Charge ($/cfs)	$6,100	$6,100
Peaking Surcharge ($/cfs)	$18,300	n/a

a. **Tier 1 Supply Rate.** It is recommended that the Tier 1 Supply Rate remain unchanged at $73 per acre-foot. The Tier 1 Supply Rate recovers Metropolitan's supply costs that are not recovered by sales at the Tier 2 Supply Rate and a portion of the long-term storage and agricultural water sales. The Tier 1 Supply Rate will be charged on a dollar per acre-foot basis for system supply delivered to meet firm demands within the Tier 1 Annual Limit of each member agency.

b. **Tier 2 Supply Rate.** The Tier 2 Supply Rate is set at a level that reflects Metropolitan's cost of developing supplies. Since no additional supply programs have been implemented that have provided water to Metropolitan since the Tier 2 Supply Rate was set last year, it is recommended that the Tier 2 Supply Rate remain unchanged at $154 per acre-foot. The Tier 2 Supply Rate will be charged on a dollar per acre-foot basis for system supply delivered to meet firm demands that are greater than the Tier 1 demands.

c. **System Access Rate.** It is recommended that the System Access Rate be increased from the current level of $141 per acre-foot to $163 per acre-foot. The System Access Rate recovers a portion of the costs associated with the conveyance and distribution system, including capital and operating and maintenance costs. All users (including member agencies and third-party wheeling entities) of the Metropolitan system pay the System Access Rate. This increase is due to higher departmental operations and maintenance costs allocated to the distribution and conveyance functions, higher State Water Contract costs for operations, maintenance, rehabilitation and replacement and lower revenue offsets such as hydroelectric power revenues. The cost-of-service analysis showing the costs to be collected through this rate is shown in **Attachment 2**.

d. **Water Stewardship Rate**. It is recommended that the Water Stewardship Rate be increased from the current level of $23 per acre-foot to $30 per acre-foot. The Water Stewardship Rate will be charged on a dollar per acre-foot basis to collect revenues to support Metropolitan's financial commitment to conservation, water recycling, groundwater recovery and other water management programs approved by the Board. It is estimated that Metropolitan's contributions to the programs will increase by more than $12 million in FY 2003/04 due to increased production from recycled water projects and expansion of Metropolitan's commercial and outdoor landscape and conservation program. The Water Stewardship Rate is charged for every acre-foot of water conveyed by Metropolitan.

e. **System Power Rate**. It is recommended that the System Power Rate be reduced by $29 per acre-foot to $60 per acre-foot. The System Power Rate will be charged on a dollar per acre-foot basis to recover the cost of power necessary to pump water from the State Water Project and Colorado River through the conveyance system. The System Power Rate will be charged for all Metropolitan supplies. As the market price for power has returned toward historic levels, power costs for pumping water on the Colorado River Aqueduct and State Water Project are anticipated to return to historic average levels as well. Entities wheeling water will pay the actual cost of power.

f. **Treatment Surcharge.** It is recommended that the treatment surcharge be increased from the current level of $82 per acre-foot to $92 per acre-foot. The treatment surcharge recovers the cost of providing treated water service, including allocated capital financing costs and operating and maintenance cost. This increase is due to higher power, chemical and sludge disposal costs, an increase in capital financing costs and higher operations and maintenance costs allocated to the treatment function.

g. **Readiness-to-Serve Charge**. It is recommended that the Readiness-to-Serve Charge remains at the current level of $80 million. Metropolitan's Readiness-to-Serve Charge recovers costs associated with standby and peak conveyance capacity and system emergency storage capacity. The Readiness-to-Serve Charge is 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). 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. Each agency's total Readiness-to-Serve Charge is shown in **Attachment 3**. The net Readiness-to-Serve Charge obligation will be provided to member agencies through the rates notification letter in late March.

h. **Capacity Reservation Charge and Peaking Surcharge**. It is recommended that the methodology for assessing system peaking costs be changed to reflect a proposal made by member agencies. Member agencies have requested a change to the methodology for assessing the Capacity Reservation Charge. The proposed change would simplify the budgeting and rate setting processes of the member agencies and retail water agencies by using a capacity charge set at the same level of the current Capacity Reservation Charge of $6,100 per cubic foot second of capacity used. The fundamental difference between the proposal and the current Capacity Reservation Charge and Peaking Surcharge is that the capacity charge would be levied on a known amount of actual capacity used, rather than on an annual estimate of capacity needed. Every member agency and retail agency would know their share of the capacity charge in advance of their respective rate setting and budgeting processes, therefore reducing uncertainty.

Beginning January 2004, the capacity charge would be levied on the maximum summer day demand placed on the system between May 1 and September 30 for the three calendar-year period ending December 31, 2002. Because the use of peak capacity is measured over a three-year period, the peaking surcharge would be discontinued. Demands measured for the purposes of billing the capacity charge would include all firm demand and agricultural demands including wheeling service. Replenishment service would not be included in the measurement of peak day demand for purposes of billing the capacity charge. Over time, a member agency would have an incentive to reduce its capacity charge payments and could do so by reducing peak day demands on the system. The implementation of this proposal will not affect Metropolitan's revenues or significantly alter the amounts paid by the member agencies. In addition, the capacity charge still achieves the original rate design objective of allocating a greater share of peak capacity related costs to agencies with higher peak day to average-day ratios. The resolution to impose a capacity charge is shown in **Attachment 4**. Changes to the Administrative Code necessary to affect this change in the rate design are included as **Attachment 5**.

i. **Replenishment Rates.** It is recommended that the untreated replenishment water rate remains at its current level of $233 per acre-foot. It is also recommended that the treated replenishment water rate be increased from its current level of $290 per acre-foot to $300 per acre-foot, reflecting the increase in treatment costs.

j. **Agricultural Water Rate.** It is recommended that the agricultural water rate remains unchanged at the current level of $236 per acre-foot. It is also recommended that the treated agricultural water rate be increased from its current level of $294 per acre-foot to $304 per acre-foot, consistent with the increase in treatment costs.

Policy

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

California Environmental Quality Act (CEQA)

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 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 is: Determine that the proposed actions are not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and the following:

a. Resolution to impose the Readiness-to-Serve Charge in the form shown as **Attachment 3** to this letter;
b. Resolution to impose a Capacity Charge in the form shown as **Attachment 4** to this letter; and
c. Approve the changes to the Administrative Code necessary to administer the capacity charge.

Fiscal Impact: An increase in revenues of $2.8 million and an overall increase in rates of 2 percent during FY 2003/04 if the rates and charges are adopted as recommended.

Option #2

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

Fiscal Impact: Unknown

Staff Recommendation

Option #1

2/20/2003
Brian G. Thomas *Date*
Chief Financial Officer

2/21/2003
Brian G. Thomas *Date*
for *Ronald R. Gastelum*
Chief Executive Officer

Attachment 1 – Public Comments

Attachment 2 – Metropolitan Water District of Southern California, FY 2003/04 Cost of Service

Attachment 3 – Resolution to Impose Readiness-to-Serve Charge

Attachment 4 – Resolution to Impose Capacity Charge

Attachment 5 – Administrative Code Changes (Showing Additions and Deletions)

Attachment 6 – Administrative Code Changes (In Final Form)

BLA #2119

Attachment 1

Public Comments

Public Hearing Held February 11, 2003

Comments of Mr. Keith Lewinger
General Manager Fallbrook Public Utilities District

Fallbrook Public Utilities District has recently negotiated an agreement with Metropolitan for wheeling of local supplies captured in Lake Skinner for use within Fallbrook. This arrangement provides for the most efficient use of a local resource. Metropolitan's board should carefully consider the impacts of increases in the Water Stewardship Rate and System Access Rate as they affect not only the overall cost but also the incentive for local agencies to use the Metropolitan system to better take advantage of local supplies. Other agencies that have opportunities to more efficiently use local supplies by moving them through Metropolitan's system, including Long Beach, the Municipal Water District of Orange County and the Inland Empire Utilities Agency, are similarly impacted by increases in the System Access Rate.

San Diego County Water Authority
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February 10, 2003

Mr. Ron Gastelum
President and CEO
Metropolitan Water District
of Southern California
P. 0. Box 54153

Los Angeles, California 90071

Dear Ron,

Re: Metropolitan Water District Proposed Rates and Charges for FY 2003104

The Water Authority has identified issues in the setting and adoption of the proposed rates and charges deserving of comment, including Pay-as-you-Go (PAY-Go) funding of the CIP, excess revenue collection and appropriate use of reserve funds. We have concluded That Metropolitan has an opportunity to *decrease* its water cost to its member agencies and their customers.

The process of establishing equitable rates and charges provides a recurring opportunity to examine the financial and resource planning principles for an agency. The Water Authority has repeatedly detailed its objections to large pay-as-you-go funding, highlighted by Metropolitan's decision to increase PAY-Go funding from 22% to 29% of annual CIP costs for the upcoming year, as creating inequitable costs to present customers that are more appropriately financed for the benefit of future water users. Metropolitan's preliminary Long-Range Financial Plan shows PAY-Go funding scheduled to increase to over 40%. Planned increases in PAY-Go funding create significant equity issues between existing and future water users.

The proposed rates and charges provide insight into Metropolitan's position on reserves-the total projected increase in the system access and water stewardship rates is coincidentally the same as the projected decrease in the system power rate. This is accomplished by selectively increasing contributions to the reserves. The maintenance of these extraordinary reserve levels and excess revenue collection resulting from continued underestimation of forecasted sales provide further unnecessary burdens to the member agencies and their customers. A review of recent Metropolitan revenue requirements and reserve levels has shown a propensity by Metropolitan to consistently underestimate sales forecasts. The result is the adoption of higher rates than would actually be required. The impact on the consumer is magnified two-fold

when higher than necessary water rates are combined with higher actual sales, thus resulting in significant excess revenue collection.

It appears that one of Metropolitan's objectives in rate setting is to maintain all reserve levels--including the water rate stabilization fund--at maximum levels rather than to use these funds for stabilizing rates. With Metropolitan's reserves estimated to be 221% of minimum (alternatively 93% to 100% of maximum) for fiscal year 2003104, increases to the reserves are not required. Instead, some of the planned increases to reserves could more properly be applied to maintaining the existing system access and water stewardship rates, thus providing overall rate stability to agencies receiving non-Metropolitan supplies and rate reduction for Metropolitan supplies.

When Metropolitan chose to disaggregate its rate structure, its objectives were to encourage cost-effective recycling, conservation and water management, accommodate a water transfer market, and secure a greater level of financial commitment from Metropolitan's member agencies. An additional benefit of disaggregated rate structures is increased transparency and the ability to map costs to services rendered, allowing each element to be evaluated on its merits:

1. **<u>System Power Rate</u>: The System Power Rate provides an excellent example of rate component transparency. As the energy markets have returned to near normal prices, the anticipated cost of energy for pumping and operations has decreased dramatically. The Water Authority supports the decrease in the System Power Rate**

2. **<u>Water Delivery Costs</u>: Metropolitan has stated that the rate structure accommodates a water market by ensuring that Metropolitan and non-Metropolitan supplies are subject to the same delivery charges. Reiterating concerns previously expressed, the Water Authority objects to the inclusion of significant water supply costs, e.g., State Water Project costs, as a cost component in Metropolitan's system access rate. The inclusion of supply costs into the system access rate creates subsidies for Metropolitan supplies and increased cost for water delivery. This result sends inappropriate economic signals on both the cost of alternative supplies and appropriate delivery costs.**

   The Water Authority supports the goal of increasing the production of recycled water and increasing support for economical water conservation programs requiring an increase in the Water Stewardship Rate. The Water Authority would like to continue to support local resource management and development programs like these and the emerging seawater desalination program as valuable contributions to the region's long-term water reliability. However, the Water Authority believes that

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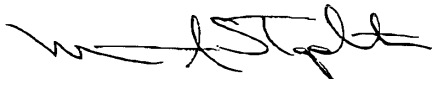
these goals can be met without unnecessarily increasing the system access charge and water stewardship rate this year.

3. **Capacity Reservation Charge: The Water Authority believes that a forward-looking Capacity Reservation Charge coupled with a system of peaking surcharges will provide the greatest economic incentive to actively manage system peaking. With that understanding, the Authority supports the transition period as outlined. The proposed transition period will continue to send an economic signal to manage seasonal peaking and recover the costs associated with seasonal peaking while allowing member agencies to make required changes to operations and infrastructure without the additional financial implications of penalties.**
4. **Water Treatment Surcharge: Changes in water treatment methods to meet higher water quality standards, combined with the need to construct additional water treatment capacity in the Skinner service area, will continue to contribute to increases in the Water Treatment Surcharge. In keeping with the Authority's position of maintaining the nexus between costs paid and benefits received, the Authority supports the increases in the Water Treatment Surcharge necessary to ensure that this charge fully recovers all costs of water treatment.**

In summary, the Water Authority encourages the Board to reevaluate the decision to increase reserves and PAY-Go levels to allow for level system access and water stewardship rates. When combined with Metropolitan's reduced power costs, this would allow for a decrease in the total payments by Metropolitan's member agencies, maintain Metropolitan's financial stability, assist member agencies and consumers to meet the challenges ahead in these fiscally critical times for local government and the state. Please feel free to call me if you have any questions.

Sincerely yours,



Maureen A. Stapleton
General Manager

Attachment 2

Metropolitan Water District of Southern California

Fiscal Year 2003/04 Cost of Service

February 7, 2003

Table of Contents

List of Schedules

1 Cost of Service

Prior to discussing the specific rates and charges that make up the rate structure, it is important to understand the cost of service process that supports the rates and charges. The purpose of the cost of service process is to: (1) identify which costs should be recovered through rates and charges; (2) organize Metropolitan's costs into service functions; and (3) classify service function costs on the basis for which the cost was incurred. The purpose of sorting Metropolitan's costs in a manner that reflects the type of service provided (e.g. supply vs. conveyance), the characteristics of the cost (e.g. fixed or variable) and the reason why the cost was incurred (e.g. to meet peak or average demand) is to create logical cost of service "building blocks". The building blocks can then be arranged to design rates and charges with a reasonable nexus between costs and benefits.

1.1 Cost of Service Process

The general cost of service process involves the four basic steps outlined below.

Step 1 - Development Of Revenue Requirements

In the revenue requirement step, the costs that Metropolitan must recover through rates and charges, after consideration of revenue offsets, are identified. The cash needs approach, an accepted industry practice for government owned utilities, has historically been used in identifying Metropolitan's revenue requirements and was applied for the purposes of this study. Under the cash needs approach, revenue requirements include operating costs and annual requirements for meeting financed capital items (debt service, pay-as-you-go capital, etc.).

Step 2 – Identification of Service Function Costs

In the functional allocation step, revenue requirements are allocated to different categories based on the operational functions served by each cost. The functional categories are identified in such a way as to allow the development of logical allocation bases. The functional categories used in the cost of service process include:

- Supply
- Conveyance and Aqueduct
- Storage
- Treatment
- Distribution
- Demand Management
- Administrative and General
- Hydroelectric

In order to permit functional allocation at the level of accuracy required, many of these functional categories are subdivided into more detailed sub-functions in the cost of service process. For example, costs for the Supply and Conveyance and Aqueduct functions are further subdivided into the sub-functions State Water Project (SWP), Colorado River Aqueduct (CRA), and Other. Similarly, costs in the Storage function are broken down into the sub-functions Emergency Storage, Drought Carryover Storage, and Regulatory Storage.

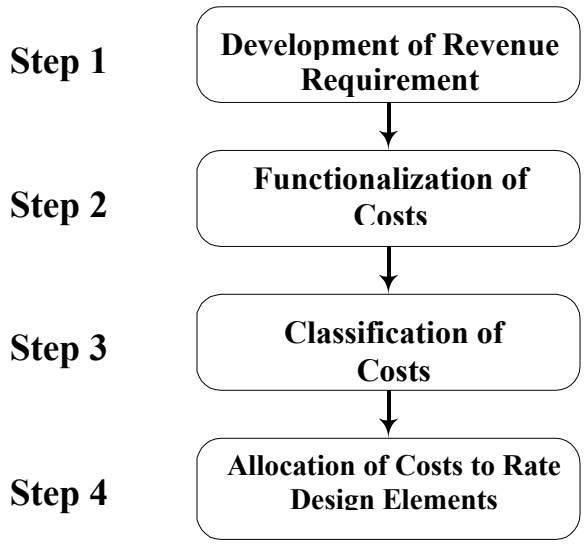
Step 3 - Classification Of Costs

In the cost classification step, functionalized costs are separated into categories according to their causes and behavioral characteristics. Proper cost classification is critical in developing a rate structure that recovers costs in a manner consistent with the causes and behaviors of those costs. Under American Water Works Association (AWWA) guidelines, cost classification may be done using either the Base/Extra-Capacity approach or the Commodity/Demand approach. In the simplest sense, these approaches offer alternative means of distinguishing between utility costs incurred to meet average or base demands and costs incurred to meet peak demands. The Commodity/Demand approach was modified for its application to Metropolitan's rate structure by adding a separate cost classification for costs related to providing standby service. Analysis of system operating data indicated that a modified Commodity/Demand approach was the most appropriate for developing Metropolitan's cost of service classification bases.

Step 4 - Allocation Of Costs To Rate Design Elements

The allocation of costs to the rate design elements depends on the purpose for which the cost was incurred and the manner in which the member agencies use the Metropolitan system. For example, costs incurred to meet average system demands are typically recovered by $ per acre-foot rates and are allocated based on the volume of water purchased by each agency. Rates that are levied on the amount or volume of water delivered are commonly referred to as volumetric rates as the customer's costs vary with the volume of water purchased. Costs incurred to meet peak demands (referred to in this report as demand costs) are recovered through a peaking charge (the Capacity Reservation Charge and Peaking Surcharge) and are allocated to agencies based on their peak demand behavior. Costs incurred to provide standby service in the event of an emergency are referred to here as standby costs. Differentiating between costs for average usage and peak usage is just one example of how the cost of service process allows for the design of rates and charges that improves overall customer equity and efficiency. Figure 1 summarizes the cost of service process.

Figure 1. The Cost of Service Process



1.2 Revenue Requirements

The estimated revenue requirements presented in this report are for FY 2003/04. Throughout the report, FY 2003/04 is used as the "test year" to demonstrate the application of the cost of service process. Schedule 1 summarizes the FY 2003/04 revenue requirement by the major budget line items used in Metropolitan's budgeting process. Current estimates indicate Metropolitan's annual cash expenditures (including capital financing costs, but not construction outlays financed with bond proceeds) will total approximately $1,082 million in FY 2003/04.

The rates and charges do not have to cover this entire amount. Metropolitan generates a significant amount of revenue from interest income, hydroelectric power sales and miscellaneous income. These internally generated revenues are referred to as revenue offsets and are expected to generate about $47.7 million in FY 2003/04. It is expected that Metropolitan will also generate about $99.3 million in ad valorem property tax revenues. Property tax revenues are used to pay for a portion of Metropolitan's obligation under the State Water Contract and general obligation bond debt service. The total revenue offsets for FY 2003/04 are estimated to be $147 million. Therefore, the revenue required from rates and charges is the difference between the total costs and the revenue offsets, or $935.1 million. Approximately $75.9 million in Water Rate Stabilization Funds will be used to fund a portion of the revenue requirement, mitigating all but a $10/acre-foot increase in the Water Treatment Rate. The rates and charges recommended in this report will generate a total of $860 million in the test year.

All of Metropolitan's costs fall under the broad categories of Departmental Costs or General District Requirements. Departmental Costs include budgeted items identified with specific organizational groups. General District Requirements consist of requirements associated

with the Colorado River Aqueduct (CRA), State Water Project (SWP), the capital financing costs associated with the Capital Investment Program (CIP), and Water Management Programs. General District Requirements also include reserve fund transfers required by bond covenants and Metropolitan's Administrative Code.

When considered in total, General District Requirements make up approximately 68.9 percent of the absolute value of the allocated costs. Metropolitan's capital financing program is the second largest component of the revenue requirement, constituting approximately 27.1 percent of the revenue requirement. The largest component of the revenue requirement relates to SWP expenditures, which make up approximately 29.1 percent of Metropolitan's FY 2003/04 revenue requirements. Metropolitan's SWP contract requires Metropolitan to pay its allocated share of the capital, minimum operations, maintenance, power and replacement costs incurred to develop and convey its water supply entitlement, irrespective of the quantity of water Metropolitan takes delivery of in any given year. Departmental O&M costs make up 19.1 percent of the total revenue requirement in FY 2003/04. Water System Operations is the largest single component of the Departmental Costs and accounts for 10.2 percent of the revenue requirements. Water System Operations responsibilities include operations and maintenance of Metropolitan's pumping, storage, treatment, and hydroelectric facilities, as well as operation and maintenance of the Colorado River Aqueduct and other conveyance and supply facilities.

Schedule 1. Revenue Requirements (by budget line item)

	Estimated for FY 2004	% of Revenue Requirements [1]
Departmental Operations & Maintenance		
Office of the Chief Executive Officer	$ 5,017,486	0.4%
Outreach	12,541,871	1.0%
Water Systems Operations	125,205,394	10.2%
Chief Financial Officer	6,419,147	0.5%
Corporate Resources	62,682,835	5.1%
Water Resource Management	14,714,242	1.2%
General Counsel	7,307,169	0.6%
Audit Department	1,416,850	0.1%
Total Departmental O&M	235,304,995	19.1%
General District Requirements		
State Water Project	358,216,121	29.1%
Colorado River Aqueduct	29,605,644	2.4%
Deposit to Water Transfer Fund	45,000,000	3.7%
Water Management Programs	46,724,890	3.8%
Capital Financing Program	332,633,873	27.1%
Water Quality Exchange and Transfers	0	0.0%
Operating Equipment and Leases	20,762,104	1.7%
Increase (Decrease) in Required Reserves	13,881,991	1.1%
Total General District Requirements	846,824,623	68.9%
Revenue Offsets	(147,009,933)	12.0%
Net Revenue Requirements	**$ 935,119,685**	100%

(1) Given as a percentage of the absolute values of total dollars.

1.3 Service Function Costs

Several major service functions result in the delivery of water to Metropolitan's member agencies. These include the source of supply itself, the conveyance capacity and energy used to move water to Southern California, the storage of water, distribution of supplies within Southern California and, treatment of these supplies. Metropolitan's rate structure recovers the majority of the cost of providing these service functions through rates and charges.

The functional categories developed for Metropolitan's cost of service process are consistent with the American Water Works Association (AWWA) rate setting guidelines, a standard chart of accounts for utilities developed by the National Association of Regulatory Commissioners (NARUC), and the National Council of Governmental Accounting. Because all water utilities are not identical, the rate structure considers Metropolitan's unique physical, financial, and institutional characteristics.

A key goal of functional allocation is to maximize the degree to which rates and charges reflect the costs of providing different types of service. For functional allocation to be of maximum benefit, two criteria must be kept in mind when establishing functional categories.

- The categories should correlate charges for different types of service with the costs of providing those different types of service; and
- Each function should include reasonable allocation bases by which costs may be allocated.

Each of the functions developed for the cost of service process is described below.

- *Supply.* This function includes costs for those SWP and CRA facilities and programs that relate to maintaining and developing supplies to meet the member agencies demands. For example, Metropolitan's supply related costs include investments in Phase I of the Conservation Agreement with the Imperial Irrigation District and will include investments in the off-aqueduct storage and transfers included in the California 4.4 Plan to maintain full CRA deliveries. The SWP Delta Water Charge is included as a cost of supply along with the cost of storage and transfer programs such as Semitropic Water Storage Program, Arvin-Edison Water Storage Program and the North Las Posas Groundwater Basin Conjunctive Use Agreement.
- *Conveyance and Aqueduct.* This function includes the capital, operations, maintenance, and overhead costs for SWP and CRA facilities that convey water through Metropolitan's internal distribution system. Variable power costs for the SWP and CRA are also considered to be Conveyance and Aqueduct costs but are separately reported under a "power" sub-function. Conveyance and Aqueduct facilities can be distinguished from Metropolitan's other facilities primarily by the fact that they do not typically include direct connections to the member agencies. For purposes of this study, the Inland Feeder Project functions as an extension of the SWP East Branch and is therefore considered a Conveyance and Aqueduct facility as well.

- *Storage.* Storage costs make up a significant portion of Metropolitan's costs and include the capital financing, operating, maintenance, and overhead costs for Diamond Valley Lake, Lake Mathews, Lake Skinner, and five smaller regulatory reservoirs within the distribution system. Metropolitan's larger storage facilities will be operated to provide (1) emergency storage in the event of an earthquake or similar system outage; (2) drought storage that produces additional supplies during times of shortage; and (3) regulatory storage to balance system demands and supplies and provide for operating flexibility. To reasonably allocate the costs of storage capacity among member agencies, the storage service function is categorized into sub-functions of emergency, drought, and regulatory storage.
- *Treatment.* This function includes the costs for Metropolitan's five treatment plants and is considered separately from other costs so that treated water service may be priced separately.
- *Distribution.* This function includes capital financing, operating, maintenance, and overhead costs for the "in-basin" feeders, canals, pipelines, laterals, and other appurtenant works. The "in-basin" facilities are distinguished from Conveyance and Aqueduct facilities at the point of connection to the SWP, Lake Mathews, and other major turnouts along the CRA facilities.
- *Demand Management.* A separate demand management service function has been used to clearly identify the cost of Metropolitan's investments in local resources like conservation and recycling.
- *Administrative and General (A&G).* These costs occur in each of the Groups' departmental budgets and reflect overhead costs that cannot be directly functionalized. The cost of service process currently allocates A&G costs to the service functions based on the total amount of non-A&G dollars allocated to each function.
- *Hydroelectric.* Hydroelectric costs include the capital financing, operating, maintenance, and overhead costs incurred to operate the 16 small hydroelectric plants located throughout the water distribution system.

1.3.1 Functional Allocation Bases

The functional allocation bases are used to allocate a cost to the various service functions. The primary functional allocation bases used in the cost of service process are listed below.

- Direct Assignment
- Work-In-Process or Net Book Value Plus Work-In-Process
- Pro-Rating In Proportion To Other Allocations
- Manager Analysis

Schedule 2 summarizes the amounts of total cost allocated using each of the above types of allocation bases.

Schedule 2 Summary of Functional Allocations by Type of Allocation Basis

Primary Functional Allocation Bases	Estimated for FY 2004	% of Allocated Dollars
Direct Assignment	$ 556,543,805	45.3%
Work in Process/Net Book Value	361,521,252	29.4%
Pro-Rating	267,213,578	21.7%
Manager Analysis	43,860,918	3.6%
Total Dollars Allocated	$ 1,229,139,552	100.0%
Portion of Above Allocations Relating to:		
Revenue Requirements before Offsets	1,082,129,619	
Revenue Offsets	147,009,933	
Total Dollars Allocated	$ 1,229,139,552	

Each of the primary allocation bases is discussed in detail in the remainder of this section. Discussion of each allocation basis includes examples of costs allocated using that particular basis. A line-by-line schedule of functional allocations is presented in the Appendix 1 to this report.

(a) Direct assignment

Direct assignment makes use of a clear and direct connection between a revenue requirement and the function being served by that revenue requirement. Directly assigned costs typically include: costs associated with specific treatment plants; purely administrative costs; and certain distribution and conveyance departmental costs. Examples of costs that are directly assigned to specific functional categories are given below.

* Water System Operations Group departmental costs for treatment plants are directly assigned to treatment.
* Transmission charges for State Water Contract are directly assigned to conveyance SWP.

(b) Work-In-Progress; Net Book Value Plus Work-In-Progress

Debt service and capital costs comprise about 27 percent of Metropolitan's annual revenue requirements. One approach would be to allocate payments on each debt issue in direct proportion to specific project expenditures made using bond proceeds. But, this approach would result in a high degree of volatility in relative capital cost allocations from year to year. The approach used in this analysis is one widely used in water industry cost of service studies. Capital and debt-related costs (including repair and replacement costs paid from current revenues) are allocated on the basis of the relative net book values of fixed assets within each functional category. This approach produces capital cost allocations that are consistent with the functional distribution of assets. Also, since the allocation basis is tied to fixed asset records rather than debt payment records, the resulting allocations are more reflective of the true useful lives of assets. Use of net book values as an allocation basis provides an improved matching of functional costs with asset lives. A listing of fixed asset net book values summarized by asset function is shown in Schedule 3.

Schedule 3 Net Book Value and Work in Progress Allocation Base

Functional Categories	NBV for FY 2004	% of Total NBV
Source of Supply	$ 93,451,646	1.7%
Conveyance & Aqueduct	856,694,182	15.6%
Storage	2,200,412,694	40.0%
Treatment	1,062,050,472	19.3%
Distribution	962,413,337	17.5%
Demand Management	0	0.0%
Administrative & General	196,798,172	3.6%
Hydroelectric	125,335,149	2.3%
Total Fixed Assets Net Book Value:	$ 5,497,155,653	100.0%

In most instances, the cost of service process uses net book value *plus* work-in-progress to develop allocation bases for debt and capital costs. For organizational units handling current construction activity, however, allocations are based on work-in-progress alone. For these organizational units, exclusion of net book value from the allocation basis is done because the costs being allocated relate directly to work in progress not yet reflected in the completed assets records.

Examples of revenue requirements allocated using these net book value and work-in-progress allocations are shown below.

* General Obligation and Revenue Bond Debt Service: *allocated using Work In Progress plus Net Book Value.*
* PAYG: *allocated using Work In Progress plus Net Book Value.*

To calculate the relative percentage of fixed assets in each functional category Metropolitan staff conducted a detailed analysis of historical accounting records and built a database of fixed asset accounts that contains records for all facilities currently in service and under construction. Each facility was sorted into the major service function that best represented the facilities primary purpose and was then further categorized into the appropriate sub-functions described earlier.

(c) Pro-rating in proportion to other allocations

Utility cost of service studies frequently contain line items for which it would be difficult to identify an allocation basis specific to that line item. In these cases, the most logical allocation basis is often a pro-rata blend of allocation results calculated for other revenue requirements in the same departmental group, or general category. Reasonable pro-rata allocations are based on a logical nexus between a cost and the purpose which its serves. For example:

* Water System Operations Group Manager costs are allocated using all other WSO costs since the Group Manager spends time overseeing the entire Group.
* Corporate Resources Group Human Resources Section costs are allocated using all labor costs since Human resources spends its time and resources attending to the labor force.

(d) Manager analyses

The functional interrelationships of some organizational units are so complex and/or dynamic that reliable allocation bases can only be developed with extensive input from the organization's managers. In these cases, managers use their first-hand knowledge of the organization's internal operations to generate a functional analysis of departmental costs. Examples of revenue requirements allocated based on manager analyses are:

* Water System Operations Group: Water Quality Monitoring Section

A summary of the functional allocation results is shown in Schedules 4 and 5. Schedule 4 provides a breakdown of the revenue requirement for FY 2003/04 into the major service functions and sub-functions prior to the re-distribution of administrative and general costs. Schedule 5 serves as a cross-reference summarizing how the budget line items are distributed among the service functions. The largest functional component of Metropolitan's revenue requirement is the Conveyance and Aqueduct function, which constitutes approximately 39 percent of the allocated revenue requirement.

Schedule 4 Revenue Requirement (by service function)

Service Function	Estimated for FY 2004	% of Allocated Dollars [1]
Source of Supply		
CRA	$1,751,778	0.2%
SWP	47,393,207	5.0%
Other Supply	53,007,021	5.6%
Subtotal: Source of Supply	**102,152,006**	**10.8%**
Conveyance & Aqueduct		
CRA		
CRA Power	31,538,195	3.3%
CRA All Other	27,499,201	2.9%
SWP		
SWP Power	120,759,911	12.8%
SWP All Other	150,610,765	15.9%
Other Conveyance & Aqueduct	38,062,378	4.0%
Subtotal: Conveyance & Aqueduct	**368,470,450**	**39.0%**
Storage		
Emergency	60,054,191	6.4%
Drought	49,572,496	5.2%
Regulatory	13,355,920	1.4%
Storage Power	182,314	0.0%
Subtotal: Storage	**123,164,922**	**13.0%**
Treatment	**132,328,379**	14.0%
Distribution	**98,226,697**	10.4%
Customer Related	**48,317,376**	5.1%
Administrative & General	**67,229,816**	7.1%
Hydroelectric	**(4,769,959)**	0.5%
Total Functional Allocations:	**$ 935,119,685**	**100%**

(1) Given as a percentage of the absolute values of total dollars allocated.

Schedule 5 Service Function Revenue Requirements (by budget line item)

FY 2004	Source of Supply	Conveyance & Aqueduct	Storage	Water Quality	Treatment	Distribution	Demand Management	Administrative & General	Hydro-Electric	Total $ Allocated
Departmental Operations & Maintenance										
Office of the Chief Executive Officer	$ 207,921	$ 488,390	$ 241,959	$ -	$ 1,102,887	$ 826,945	$ 44,349	$ 2,071,143	$ 33,892	$ 5,017,486
External Affairs							0	12,541,871		12,541,871
Water Systems Operations	1,630,233	18,501,701	1,840,072	0	63,676,807	38,224,975	0	0	1,331,606	125,205,394
Chief Financial Officer							0	6,419,147		6,419,147
Corporate Resources	1,705,891	6,312,017	9,608,511	0	11,492,199	9,301,191	261,685	23,302,680	698,663	62,682,835
Water Resource Management	7,941,610	1,987,661	256,209	0	268,682	767,310	2,594,781	897,989		14,714,242
General Counsel								7,307,169		7,307,169
Audit Department								1,416,850		1,416,850
Total Departmental O&M	**11,485,656**	**27,289,768**	**11,946,750**	**0**	**76,540,574**	**49,120,421**	**2,900,815**	**53,956,850**	**2,064,161**	**235,304,995**
State Water Project	42,855,696	315,360,425	0	0	0	0	0	0	0	358,216,121
Colorado River Aqueduct	0	29,605,644	0	0	0	0	0	0	0	29,605,644
Net Deposit to Water Transfer Fund	45,000,000	0	0	0	0	0	0	0	0	45,000,000
Water Management Programs	0	0	0	0	0	0	46,724,890	0	0	46,724,890
Capital Financing Program	4,796,510	43,970,788	112,938,646	0	64,264,864	90,129,211	0	10,100,887	6,432,967	332,633,873
Operating Equipment and Leases	1,623,102	6,129,031	1,851,388	0	3,936,059	2,912,044	136,916	4,015,420	158,144	20,762,104
Increase (Decrease) in Required Reserves	1,271,001	8,014,318	279,425	0	1,790,224	1,148,888	67,848	1,262,008	48,279	13,881,991
Total General District Requirements	**95,546,309**	**403,080,207**	**115,069,459**	**-**	**69,991,147**	**94,190,143**	**46,929,654**	**15,378,315**	**6,639,390**	**846,824,623**
Revenue Offsets	**(4,879,959)**	**(61,899,525)**	**(3,851,287)**	-	**(14,203,343)**	**(45,083,867)**	**(1,513,093)**	**(2,105,349)**	**(13,473,510)**	**(147,009,933)**
Net Revenue Requirements	**$ 102,152,006**	**$ 368,470,450**	**$ 123,164,922**	**$ -**	**$ 132,328,379**	**$ 98,226,697**	**$ 48,317,376**	**$ 67,229,816**	**$ (4,769,959)**	**$ 935,119,685**

1.4 Classified Costs

In the cost classification step, functionalized costs are further categorized based on the causes and behavioral characteristics of these costs. An important part of the classification process is identifying which costs are incurred to meet average demands vs. peak demands and which costs are incurred to provide standby service. As with the functional allocation process, the proposed classification process is consistent with AWWA guidelines, but has been tailored to meet Metropolitan's specific operational structure and service environment.

In the cost of service process, cost classification is done using a hybrid of two methods discussed in the AWWA M1 Manual, Principles of Water Rates, Fees and Charges. These two methods are the Commodity/Demand method and the Base/Extra Capacity method.

The Commodity/Demand method allocates costs that vary with the amount of water produced to the commodity category with all other costs associated with water production allocated to the demand category. In the Base/Extra Capacity method costs related to average demand conditions are allocated to the base category and capacity costs associated with meeting above average demand conditions are allocated to the extra capacity category.

The approach used to classify Metropolitan's costs differs from the Base/Extra Capacity method by the fact that costs are separated into a variable category and a fixed category. The Base/Extra Capacity method does not separate these costs into two categories but rather combines them into one category referred to as base costs. The approach used to classify Metropolitan's costs differs from the Commodity/Demand method in the fact that demand costs are separated into fixed commodity and fixed demand costs. The Commodity/Demand method would not make this distinction but would combine these costs into the demand category. By using the hybrid method, costs are disaggregated to a lower level of detail, providing greater visibility to costs. Under the hybrid classification method, functional cost categories are reallocated into demand, commodity, or standby categories, which are discussed below. Classification of costs into these categories depends on an analysis of system capacity as well as actual system operating data.

Classification categories used in the analysis include:

- Fixed demand costs
- Fixed commodity costs
- Fixed standby costs
- Variable commodity costs
- Hydroelectric costs

Demand costs are incurred to meet peak demands. Only the direct capital financing costs were included in the demand classification category. A portion of capital financing costs was included in the demand cost category because in order to meet peak demands additional physical capacity is designed into the system and, therefore, additional capital costs are incurred. Commodity costs are generally associated with average system demands. Variable

commodity costs include costs of chemicals, most power costs, and other cost components that increase or decrease in relation to the volume of water supplied. Fixed commodity costs include fixed operations and maintenance and capital financing costs that are not related to accommodating peak demands or standby service.

Standby service costs relate to Metropolitan's role in ensuring system reliability during emergencies such as an earthquake or an outage of a major facility like the Colorado River Aqueduct. The two principal components of the standby costs were identified as the emergency storage capacity within the system and the standby capacity within the State Water Project conveyance system.

An additional component used in Metropolitan's cost classification process is the hydroelectric component. While not a part of most water utilities' cost classification procedures, the hydroelectric classification component is necessary to segregate revenue requirements carried from the hydroelectric function established in the functional allocation process. Hydroelectric revenue requirements are later embedded in the distribution function. Any net revenues generated by the hydroelectric operations offset the distribution costs and reduce the System Access Rate. All users of the distribution system benefit proportionately from the revenue offset provided by the sale of hydroelectric energy.

Schedule 6 provides the classification percentages used to distribute the service function costs into demand, commodity and standby service classification categories. All of the supply costs are classified as fixed commodity costs. Because these particular supply costs have been incurred to provide an amount of annual reliable system yield and not to provide peak demand delivery capability or standby service they are reasonably treated as fixed commodity costs.

Costs for the Conveyance and Aqueduct (C&A) service function are classified into demand, commodity, and standby categories. Because the capital costs for C&A were incurred to meet all three classification categories, an analysis of C&A capacity usage for the twelve years ending December 31, 2001 was used to determine that 57 percent of the available conveyance capacity has been used to meet member agency demands on an average annual basis. A system peak factor[1] of 1.5 was applied to the average annual usage to determine that the remaining 43 percent of available capacity is used to meet peak monthly deliveries to the member agencies. The same classification percentages are applied to the CRA, SWP, and Other (Inland Feeder) Conveyance and Aqueduct sub-functions. The classification shares reflect the system average use of conveyance capacity and not the usage of individual facilities. All of the Conveyance and Aqueduct energy costs for pumping water to Southern California are classified as variable commodity costs and, therefore, are not shown in Schedule 6 because they carry right through the classification step.

Storage service function costs for emergency, drought and regulatory storage are also distributed to the classification categories based on the type of service provided. Emergency storage costs are classified as 100 percent standby related. Emergency storage is a prime

[1] Peak monthly deliveries to the member agencies average about 50 percent more than the average monthly deliveries.

example of a cost Metropolitan incurs to ensure the reliability of deliveries to the member agencies. In effect, through the emergency storage capacity in the system, Metropolitan is "standing by" to provide service in the event of a catastrophe such as a major earthquake that disrupts regional conveyance capacity for an extended period of time. Drought carryover storage serves to provide reliable supplies by carrying over surplus supplies from periods of above normal precipitation and snow pack to drought periods when supplies decrease. Drought storage creates supply and is one component of the portfolio of resources that result in a reliable amount of annual system supplies. As a result, drought storage is classified as a fixed commodity cost, just as Metropolitan's supply costs are. The regulatory storage within the Metropolitan system provides operational flexibility in meeting peak demands and flow requirements, essentially increasing the physical distribution capacity. Therefore, regulatory storage is classified in the same manner as distribution costs.

Distribution service function costs were classified using daily flow data of deliveries to the member agencies for the twelve years ending December 31, 2001. During this period, average flows of deliveries to the member agencies used 45 percent of the peak non-coincident[2] flow of all the member agencies. The difference between the average flow and system capacity, or 55 percent of the distribution capacity, was used to meet peak day demands in excess of average annual flows. Although the Metropolitan distribution system has a great deal of operational flexibility, the total amount of capacity was limited to the system's total conveyance capacity (about 3.24 million acre-feet per year). Total peak flows consumed all of this capacity and therefore no distribution costs are allocated to the standby classification.

As presented in Schedule 6, treatment service function costs were also classified using daily flow data of deliveries to the member agencies for the twelve years ending December 31, 2001. The only difference from the approach described above for distribution capacity is that only treated water flows were used. Schedule 7 summarizes the service function revenue requirements by classification category. Administrative and general costs have been allocated to the classification categories by service function based on the ratio of classified non-A&G service function costs to total non-A&G service function costs.

[2] The term "non-coincident" means that the peak flow for each agency may or may not coincide with the peak system flow during this period. Both non-coincident and coincident approaches to measuring peak demands are used in rate design approaches. A non-coincident approach is used in the rate design to capture the different operating characteristics of the member agencies (e.g., certain pipelines and structures are designed to meet peak demands of a given agency or agencies. This peak may occur at a time of the month or year that is different than the system peak day or week.)

Schedule 6 Classification Percentages

Service Function	Classification Percentages				Total % Classified	Comments
	Fixed			Variable		
	Demand	Commodity	Standby	Commodity 1		
Source of Supply						
Colorado River Aqueduct	0%	100%			100%	Recovered by supply rates therefore classified as commodity
State Water Project	0%	100%			100%	Recovered by supply rates therefore classified as commodity
Conveyance & Aqueduct						
Colorado River Aqueduct	43%	57%	0%		100%	Demand (peaking) percentage represents application of system monthly peak factor of 1.5 to average monthly flow. Commodity percentage represents average flows. Remainder of capacity is for standby and expected growth in system demands. SWP and CRA are treated the same due to application of system wide uniform price.
State Water Project	43%	57%	0%		100%	
Other	43%	57%	0%		100%	
Storage						
Emergency			100%		100%	Standby service (recovered by RTS)
Drought		100%			100%	Recovered by supply rates therefore classified as commodity
Regulatory	55%	45%	0%		100%	See disitribution (below)
Treatment	59%	41%	0%		100%	Demand percentage represents amount of system treatment capacity used to meet peak day flows in excess of average. Commodity percentage represents amount of capacity used to meet average flows. Standby percenage is estimated as remaining total capacity. The same classification is applied to all five treatment plants due to the use of a uniform system wide treatment surcharge.
Distribution	55%	45%	0%		100%	Demand percentage represents amount of system distribution capacity used to meet peak day flows in excess of average. Commodity percentage represents amount of capacity used to meet average flows. Standby percentage is estimated as remaining total system capacity. The same classification is applied to all distribution facilities due to the use of a system wide uniform system access rate.

(1) Variable commodity costs such as SWP and CRA power costs and variable treatment costs are directly classified to "variable commodity" and so are not included in this schedule.

A summary of cost classification results is shown in Schedule 7. The classification of the service function costs results in about 7.4 percent, $69 million of the total revenue requirements, being allocated to the demand classification category. This amount represents a reasonable estimate of the annual fixed capital financing costs incurred to meet peak demands (plus the allocated administrative and general costs). A portion of Metropolitan's property tax revenue is allocated to C&A fixed demand costs and offsets the amount that is recovered through rates. The taxes are used to pay for the general obligation bond debt service allocated to the C&A costs.

Schedule 7 Service Function Revenue Requirements (by classification category)

Service Function Revenue Requirements (by sub-function)	Classification Categories: Fixed Demand	Fixed Commodity	Fixed Standby	Variable Commodity	Hydro-Electric	Total Classifications
Supply						
CRA	$ -	$ 1,872,357	$ -	$ -	$ -	$ 1,872,357
SWP	-	50,655,388	-	-	-	50,655,388
Other Supply	-	56,655,613	-	-	-	56,655,613
Subtotal: Source of Supply	-	109,183,358	-	-	-	**109,183,358**
Conveyance & Aqueduct						
CRA						
CRA Power	-	3,065,567	-	30,686,200	-	33,751,767
CRA All Other	3,501,615	26,222,388	-	-	-	29,724,003
SWP	-	-	-	-	-	
SWP Power	-	3,144,283	-	126,103,390	-	129,247,673
SWP All Other	-	160,977,643	-	-	-	160,977,643
Other Conveyance & Aqueduct	16,684,156	25,579,878	-	-	-	42,264,034
Subtotal: Conveyance & Aqueduct	20,185,771	218,989,759	-	156,789,590	-	**395,965,120**
Storage						
Storage Costs Other Than Power						
Emergency	-	-	63,984,339	-	-	63,984,339
Drought	-	52,984,682	-	-	-	52,984,682
Regulatory	7,352,143	7,620,113	-	-	-	14,972,256
Storage Power	-	194,864	-	-	-	194,864
Subtotal: Storage	7,352,143	60,799,659	63,984,339	-	-	**132,136,141**
Treatment	30,938,751	88,911,723	-	24,553,694	-	**144,404,167**
Distribution	10,732,939	95,272,456	-	-	-	**106,005,395**
Demand Management	-	51,643,170	-	-	-	**51,643,170**
Hydroelectric	-	-	-	-	(4,217,665)	**(4,217,665)**
Total Costs Classified	**$ 69,209,604**	**$ 624,800,124**	**$ 63,984,339**	**$ 181,343,284**	**$ (4,217,665)**	**$ 935,119,685**

About 67 percent of the revenue requirements ($625 million) are classified as "fixed commodity". These fixed capital and operating costs are incurred by Metropolitan to meet annual average service needs and are typically recovered by a combination of fixed charges and volumetric rates. Fixed capital cost classified to the "Standby" category total about $64 million and account for 6.8 percent of the revenue requirements. Standby service costs are commonly recovered by a fixed charge allocated based on a reasonable representation of a customers' need for standby service. The variable commodity costs for power on the conveyance and aqueduct systems, and power, chemicals and sludge disposal at the treatment plants change with the amount of water delivered to the member agencies. These costs are classified as variable commodity costs and total about $181 million and account for about 19.4 percent of the total revenue requirement. Because of the variable nature of these costs, it is appropriate to recover them through volumetric rates.

2 Rates and Charges

Schedule 8 provides a cross-reference between the classified service function costs and their allocation to the rate design elements. The specifics of each rate design element are discussed in detail in the following section. Schedule 9 summarizes the rates and charges to be effective January 1, 2004. Average costs by member agency will vary depending upon an agency's RTS allocation, requested capacity amount and relative proportions of Tier 1, Tier 2, Long-term Seasonal Storage, and agricultural water purchases.

Schedule 8 Classified Service Function Revenue Requirements (by rate design element)

FY 2004		Rate Design Elements								
Classifed Service Function Revenue Requirements	Total Classified Service Function Costs	Supply Rates	Other	System Access Rate	Water Stewardship Rate	System Power Rate	Capacity Reservation Charge	Readiness-to-Serve Charge	Treatment Surcharge	Total Costs Allocated
Supply										
Fixed Demand	$ -									$ -
Fixed Commodity	109,183,358	109,183,358								109,183,358
Fixed Standby	-									-
Variable Commodity	-									-
Hydroelectric	-									-
Subtotal: Supply	109,183,358	109,183,358	-	-	-	-	-	-	-	109,183,358
Conveyance and Aqueduct										
Fixed Demand	20,185,771							20,185,771		20,185,771
Fixed Commodity	218,989,759			218,989,759						218,989,759
Fixed Standby	-							-		-
Variable Commodity	156,789,590					156,789,590				156,789,590
Hydroelectric	-									-
Subtotal: Conveyance and Aqueduct	395,965,120	-	-	218,989,759	-	156,789,590	-	20,185,771	-	395,965,120
Storage										
Fixed Demand	7,352,143						7,352,143			7,352,143
Fixed Commodity	60,799,659	53,179,546		7,620,113						60,799,659
Fixed Standby	63,984,339							63,984,339		63,984,339
Variable Commodity	-	-								-
Hydroelectric	-									-
Subtotal: Storage	132,136,141	53,179,546	-	7,620,113	-	-	7,352,143	63,984,339	-	132,136,141
Treatment										
Fixed Demand	30,938,751								30,938,751	30,938,751
Fixed Commodity	88,911,723								88,911,723	88,911,723
Fixed Standby	-								-	-
Variable Commodity	24,553,694								24,553,694	24,553,694
Hydroelectric	-								-	-
Subtotal: Treatment	144,404,167	-	-	-	-	-	-	-	144,404,167	144,404,167
Distribution										
Fixed Demand	10,732,939						10,732,939			10,732,939
Fixed Commodity	95,272,456			95,272,456						95,272,456
Fixed Standby	-							-		-
Variable Commodity	-									-
Hydroelectric	(4,217,665)			(4,217,665)						(4,217,665)
Subtotal: Distribution	101,787,730	-	-	91,054,791	-	-	10,732,939	-	-	101,787,730
Demand Management										
Fixed Demand	-									-
Fixed Commodity	51,643,170				51,643,170					51,643,170
Fixed Standby	-									-
Variable Commodity	-									-
Hydroelectric	-									-
Subtotal: Demand Management	51,643,170	-	-	-	51,643,170	-	-	-	-	51,643,170
Total										
Fixed Demand	69,209,604	-	-	-	-	-	18,085,082	20,185,771	30,938,751	69,209,604
Fixed Commodity	624,800,124	162,362,904	-	321,882,327	51,643,170	-	-	-	88,911,723	624,800,124
Fixed Standby	63,984,339	-	-	-	-	-	-	63,984,339	-	63,984,339
Variable Commodity	181,343,284	-	-	-	-	156,789,590	-	-	24,553,694	181,343,284
Hydroelectric	(4,217,665)	-	-	(4,217,665)	-	-	-	-	-	(4,217,665)
Total	**$ 935,119,685**	**$ 162,362,904**	**$ -**	**$ 317,664,662**	**$ 51,643,170**	**$ 156,789,590**	**$ 18,085,082**	**$ 84,170,110**	**$ 144,404,167**	**$ 935,119,685**

Schedule 9 Rates and Charges Summary

	(Effective January 1, 2003)	(Effective January 1, 2004)
Tier 1 Supply Rate ($/af)	$73	$73
Tier 2 Supply Rate ($/af)	$154	$154
System Access Rate ($/af)	$141	$163
System Power Rate ($/af)	$89	$60
Water Stewardship Rate ($/af)	$23	$30
Full Service Untreated Commodity Cost ($/af)		
Tier 1	$326	$326
Tier 2	$407	$407
Replenishment Water Rate ($/af)	$233	$233
Interim Agricultural Water Program Untreated ($/af)	$236	$236
Treatment Surcharge ($/af)	$82	$92
Full Service Treated Commodity Cost ($/af)		
Tier 1	$408	$418
Tier 2	$489	$499
Replenishment Treated Water Rate ($/af)	$290	$300
Interim Agricultural Water Program Treated ($/af)	$294	$304
Readiness-to-Serve Charge ($M)	$80.0	$80.0
Capacity Charge ($/cfs)	$6,100	$6,100
Peaking Surcharge ($/cfs)	$18,300	n/a

2.1 System Access Rate (SAR)

The SAR is a volumetric[3] system wide rate levied on each acre-foot of water that moves through the MWD system. All system users (member agency or third party) pay the SAR to use Metropolitan's conveyance and distribution system. The SAR is recommended to be $163 per acre-foot effective January 1, 2004, an increase of $22 per acre-foot over its current level of $141 per acre-foot. The SAR recovers the cost of providing conveyance and distribution capacity to meet average annual demands. Current estimates indicate that the SAR revenue requirement will be about $318 million in FY 2003/04, 34 percent of the total revenue requirement. The costs allocated to the SAR have increased due to higher departmental operations and maintenance costs allocated to the distribution and conveyance functions, higher SWC costs for operations, maintenance, rehabilitation and replacement, lower revenue offsets such as hydroelectric power revenues and greater utilization of the system capacity to meet average annual demands.

2.2 Water Stewardship Rate (WSR)

The WSR is recommended to be $30 per acre-foot effective January 1, 2004 an increase of $7 per acre-foot over its current level of $23 per acre-foot. The WSR recovers the costs of providing financial incentives for existing and future investments in local resources including conservation and recycled water. These investments or incentive payments are identified as the "demand management" service function in the cost of service process. Demand management costs are classified as 100 percent fixed commodity costs and are estimated to be about $51.6 million in FY 2003/04, 5.5 percent of the revenue requirement. It is estimated that Metropolitan's contributions to the programs will increase by over $12 million in FY 2003/04 due to increased production from recycled water projects and expansion of Metropolitan's commercial and outdoor landscape and conservation program. The WSR is a volumetric rate levied on each acre-foot of water that moves through the Metropolitan system. All system users (member agency or third parties) will pay the same proportional costs for existing and future conservation and recycling investments.

2.3 System Power Rate (SPR)

The recommended SPR is $60 per acre-foot effective January 1, 2004, a $29 per acre-foot decrease from its current level of $89 per acre-foot. The decrease in the SPR offsets the increase in the SAR and WSR. The SPR is a volumetric rate that recovers the costs of pumping water to Southern California. The SPR recovers the cost of power for both the SWP and CRA. In FY 2003/04 the revenue requirement for the SPR is estimated to be about $157 million, 17 percent of the total revenue requirement. As the market for power has returned to historic levels, power costs for pumping water on the Colorado River Aqueduct

[3] A volumetric rate is a charge applied to the actual amount of water delivered.

and State Water Project are anticipated to return to historic average levels as well. Entities wheeling water will pay the actual cost of power.

2.4 Treatment Surcharge

It is recommended that the treatment surcharge be increased from its current level of $82 per acre-foot to $92 per acre-foot effective January 1, 2004. The treatment surcharge is a system-wide volumetric rate set to recover the cost of providing treated water service. The treatment surcharge revenue requirement is expected to be about $144 million in FY 2003/04, 15.5 percent of the total revenue requirement. The treatment surcharge recovers all costs associated with providing treated water service, including commodity, demand and standby related costs. The increase in the treatment surcharge is necessary to cover increased variable treatment costs (power, chemicals and sludge disposal), increased operations and maintenance costs and additional capital financing costs allocated to the treatment surcharge. In the last two years the variable cost of treatment has increased from $10 per acre-foot to over $18 per acre-foot as power costs increased and more stringent drinking water quality standards have required the use of additional chemicals and sludge removal at Metropolitan's treatment plants. Metropolitan last increased the treatment surcharge in 1995/96 from $77 per acre-foot to $82 per acre-foot.

2.5 Capacity Charge

It is recommended that to simplify the budgeting and rate setting processes of the member agencies and retail water agencies the Capacity Reservation Charge and Peaking Surcharge be replaced by a capacity charge, at the same level of the current Capacity Reservation Charge of $6,100 per cubic foot second of capacity used. The fundamental difference between the proposed capacity charge and the current Capacity Reservation Charge and Peaking Surcharge is that the capacity charge would be levied on a known amount of actual capacity used based on a three-year trailing peak. Every member agency and retail agency would know its share of the capacity charge in advance of their respective rate setting and budgeting processes, therefore reducing uncertainty. In contrast, the Capacity Reservation Charge requires the member agency to provide a prospective estimate of required system capacity for its budgeting and rate setting processes. Under the current process, if the amount of requested capacity is too low relative to actual use then the Peaking Surcharge is incurred.

Beginning January 2004, the capacity charge would be levied on the maximum summer day demand placed on the system between May 1 and September 30 for the three-calendar year period ending December 31, 2002. Demands measured for the purposes of billing the capacity charge would include all firm demand and agricultural demand including wheeling

service and exchanges. Replenishment service would not be included in the measurement of peak day demand for purposes of billing the capacity charge.

The capacity charge is intended to create an incentive for local agencies to decrease their use of the Metropolitan system to meet peak day demands and to shift demands into lower use time periods particularly October through April. Over time, a member agency would still benefit from local supply investments and operational strategies that reduced its peak day demand on the system in the form of a lower total capacity charge. The implementation of a simpler capacity charge will not significantly impact the total cost of peaking incurred by any member agency anymore than the continued use of the Capacity Reservation Charge and Peaking Surcharge and the simplified administration of the capacity charge is a benefit to the member agencies and their retail provider customers. In addition, the capacity charge still achieves the original rate design objective of allocating a greater share of peak capacity related costs to agencies with higher peak day to average day ratios. The capacity charge to be paid by each member agency in calendar year 2004 is included in Schedule 10.

Schedule 10 Calendar Year 2004 Capacity Charge

AGENCY	2000	2001	2002	3-Year Peak		Calendar Year 2004 Capacity Charge ($6,100/cfs)
Anaheim	76.0	56.5	54.4	76.0		$ 463,600
Beverly Hills	35.0	32.3	30.1	35.0		213,500
Burbank	51.8	36.6	38.2	51.8		315,980
Calleguas	255.1	247.3	258.5	258.5		1,576,850
Central Basin	137.4	131.8	128.3	137.4		838,140
Compton	10.5	7.6	9.6	10.5		64,050
Eastern	216.3	270.3	366.8	366.8		2,237,480
Foothill	21.5	23.8	21.7	23.8		145,180
Fullerton	26.4	24.2	27.6	27.6		168,360
Glendale	60.8	58.6	56.3	60.8		370,880
Inland Empire	169.0	171.8	155.3	171.8		1,047,980
Las Virgenes	46.3	35.8	43.5	46.3		282,430
Long Beach	57.5	60.6	51.7	60.6		369,660
Los Angeles	704.0	405.2	645.3	704.0		4,294,400
MWDOC	730.2	695.7	730.2	730.2		4,454,220
Pasadena	54.2	43.2	75.5	75.5		460,550
San Diego (1)	1120.3	1084.6	1241.4	1296.0		7,905,600
San Fernando	0.0	0.1	0.0	0.1		610
San Marino	3.0	2.7	6.8	6.8		41,480
Santa Ana	32.2	24.8	39.6	39.6		241,560
Santa Monica	29.0	29.6	31.9	31.9		194,590
Three Valleys	183.4	200.7	203.8	203.8		1,243,180
Torrance	42.5	44.4	38.8	44.4		270,840
Upper San Gabrie	53.4	53.5	72.1	72.1		439,810
West Basin	271.0	248.3	256.0	271.0		1,653,100
Western	218.8	211.4	224.6	224.6		1,370,060
Total	**4,606**	**4,201**	**4,808**	**5,027**		**$ 30,664,090**

(1) San Diego capacity set at 1,296 cfs per surface storage operating agreement terms

2.6 Readiness-to-Serve Charge

The costs recovered by the RTS are Metropolitan's costs for providing standby service. Metropolitan's cost for providing emergency storage capacity within the system are estimated to be about $64 million in FY 2003/04. In addition, to simplify the rate design by reducing the number of separate charges, the demand and standby related costs identified for the conveyance and aqueduct service function are also allocated to the RTS. These costs are estimated to be about $20 million in FY 2003/04. Currently the RTS recovers $80 million, an amount that represents a portion of the capital financing costs for facilities that serve existing users. It is recommended that the costs recovered by the proposed RTS remain at the current level of $80 million in FY 2003/04 to minimize impacts to member agencies.

The RTS is allocated to the member agencies based on each agency's proportional share of a ten-year rolling average of all deliveries (including water transfers and exchanges that use Metropolitan system capacity). The ten-year rolling average will not include long-term seasonal storage service and interim agricultural deliveries because these deliveries will be the first to be curtailed in the event of an emergency. A ten-year rolling average is a simple approach that leads to a relatively stable RTS allocation that reasonably represents an agency's potential long-term need for standby service under different demand conditions. Member agencies that so choose may continue to have a portion of their total RTS obligation offset by standby charge collections levied by Metropolitan on behalf of the member agency. Schedule 11 provides an estimate of each agency's total RTS obligation for FY 2003/04.

Schedule 11 Readiness-to-Serve Charge (by member agency)

Member Agency	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1991/92 - FY2000/01	RTS Share	6 months @ $80 million per year (7/03-12/03)	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1992/93 - FY2001/02	RTS Share	6 months @ $80 million per year (1/04-6/04)	Total RTS Charge
Anaheim	16,740	1.09%	$ 436,321	17,136	1.13%	$ 451,395	$ 887,716
Beverly Hills	13,163	0.86%	343,103	13,301	0.88%	350,384	693,487
Burbank	14,708	0.96%	383,366	14,120	0.93%	371,936	755,302
Calleguas MWD	91,345	5.95%	2,380,917	95,234	6.27%	2,508,634	4,889,551
Central Basin MWD	73,661	4.80%	1,919,982	62,958	4.15%	1,658,444	3,578,426
Compton	4,051	0.26%	105,578	4,006	0.26%	105,522	211,100
Eastern MWD	55,412	3.61%	1,444,338	58,753	3.87%	1,547,671	2,992,008
Foothill MWD	8,926	0.58%	232,652	8,663	0.57%	228,198	460,851
Fullerton	7,879	0.51%	205,369	7,427	0.49%	195,641	401,010
Glendale	26,344	1.72%	686,670	27,151	1.79%	715,200	1,401,870
Inland Empire Utilities Agency	43,233	2.82%	1,126,878	43,875	2.89%	1,155,740	2,282,619
Las Virgenes MWD	18,681	1.22%	486,920	19,801	1.30%	521,589	1,008,509
Long Beach	41,736	2.72%	1,087,850	35,524	2.34%	935,768	2,023,617
Los Angeles	178,632	11.64%	4,656,088	167,336	11.02%	4,407,943	9,064,030
Municipal Water District of Orange County	206,341	13.45%	5,378,334	207,931	13.69%	5,477,298	10,855,632
Pasadena	17,698	1.15%	461,312	15,088	0.99%	397,455	858,766
San Diego County Water Authority	389,077	25.35%	10,141,374	414,444	27.29%	10,917,250	21,058,624
San Fernando	221	0.01%	5,757	56	0.00%	1,466	7,223
San Marino	1,186	0.08%	30,912	1,168	0.08%	30,771	61,683
Santa Ana	12,626	0.82%	329,097	9,318	0.61%	245,444	574,541
Santa Monica	8,834	0.58%	230,269	9,134	0.60%	240,618	470,888
Three Valleys MWD	61,235	3.99%	1,596,106	63,146	4.16%	1,663,375	3,259,481
Torrance	20,632	1.34%	537,790	21,416	1.41%	564,126	1,101,916
Upper San Gabriel Valley MWD	8,400	0.55%	218,940	9,172	0.60%	241,610	460,550
West Basin MWD	171,126	11.15%	4,460,439	147,014	9.68%	3,872,622	8,333,061
Western MWD	42,725	2.78%	1,113,639	45,323	2.98%	1,193,899	2,307,538
MWD Total	**1,534,611**	**100.00%**	**$ 40,000,000**	**1,518,494**	**100.00%**	**$ 40,000,000**	**$ 80,000,000**

2.7 Purchase Order

The rate structure relies on a Purchase Order to establish a financial commitment from the member agency to Metropolitan. In return for providing a financial commitment to Metropolitan the member agency may purchase more of its supply at the lower Tier 1 Supply Rate than had it not provided the commitment.

The Purchase Order is voluntarily submitted by the member agency to Metropolitan. Through the Purchase Order the member agency commits to purchase a fixed amount of supply from Metropolitan (the Purchase Order Commitment). The Purchase Order Commitment is determined as a portion of the member agency's historical demands on the Metropolitan system and the term of the Purchase Order.

Term.
The Purchase Order is for a ten-year term beginning January 1, 2003. Ten years was chosen as a balance between the long-term investments Metropolitan makes to secure water supply (many of the supply development agreements Metropolitan commits to are for 20 years or more) and a shorter period that would require less of a commitment from the member agencies. In addition, a ten-year period will most likely allow sufficient time for high and low demand years to average, reducing the likelihood that a member agency will pay for unused water.

Initial base demand.
The maximum annual firm demands since FY 1989/90 through June 30, 2002 are used to establish each member agency's "initial base demand". Firm demands are defined as all deliveries through the Metropolitan system to a member agency excluding long-term seasonal storage service, interim agricultural service, deliveries made under the interruptible service program and deliveries made to cooperative and cyclic storage accounts at the time water was put into the accounts.

Purchase Order Commitment.
The Purchase Order Commitment is limited to a portion of a member agency's initial base demand. The Purchase Order Commitment is defined as ten times 60 percent of the member agency's initial base demand. The ten times reflects the ten-year term of the Purchase Order and the 60 percent was chosen to balance risk transferred to the member agencies with and the need for a financial commitment to Metropolitan.

First, there is substantial fluctuation in demands as a result of weather. During cool, wet weather, member agencies use less Metropolitan supply. As a result, the Purchase Order Commitment was set at a level that would accommodate these annual fluctuations in weather driven demands, while helping to ensure that member agencies would have a reasonable opportunity to utilize all of the water during the ten-year Purchase Order term. Second, the 60 percent level was selected in consultation with member agency representatives and

represents a sufficient incentive to utilize Metropolitan's supplies and provide a base financial commitment to the regional system. Since the Purchase Order Commitment is voluntary, no member agency is required to commit to the minimum level. But, in exchange for the commitment, the member agency will be able purchase more Metropolitan water supply (up to 90 percent of its Base Demand) at the lower Tier 1 Supply Rate. The Purchase Order Commitment quantity and the Tier 1 Annual Limit for all member agencies are shown in Schedule 12.

Schedule 12 Purchase Order Commitment Quantities (acre-feet)

	Tier 1 Annual Limit	Purchase Order Commitment (acre-feet)
Anaheim	22,240	148,268
Beverly Hills	13,380	89,202
Burbank	16,336	108,910
Calleguas	103,801	692,003
Central Basin	72,360	482,400
Compton	5,058	33,721
Eastern	75,700	504,664
Foothill	10,997	73,312
Fullerton	11,298	75,322
Glendale	26,221	174,809
Inland Empire	59,752	398,348
Las Virgenes	20,565	137,103
Long Beach	39,471	263,143
Los Angeles	304,970	2,033,132
MWDOC	222,924	1,486,161
Pasadena	21,180	141,197
San Diego	500,705	3,338,035
San Fernando	630	-
San Marino	1,199	-
Santa Ana	12,129	80,858
Santa Monica	11,109	74,062
Three Valleys	70,400	469,331
Torrance	20,967	139,780
Upper San Gabriel	16,511	110,077
West Basin	156,874	1,045,825
Western	58,769	391,791
Total	**1,875,546**	**12,491,453**

2.8 Tier 2 supply rate

The Tier 2 Supply Rate is set at Metropolitan's cost of developing supply to encourage the member agencies and their customers to maintain existing local supplies and develop cost-effective local supply resources and conservation. The Tier 2 Supply Rate also recovers a greater proportion of the cost of developing additional supplies from member agencies that have increasing demands on the Metropolitan system.

The Tier 2 Supply Rate effective January 1, 2004 is recommended to remain unchanged at its current level of $154 per acre-foot. This reflects a weighted average of Metropolitan's cost of developing supply from the following programs: the San Bernardino Valley Municipal Water District Water Transfer Program; the Imperial Irrigation District/Metropolitan Water District Conservation Program; and the State Water Project Dry-Year Water Purchase Program. These programs were chosen out of the number of water supply programs that Metropolitan has developed and from which Metropolitan has received water deliveries. In addition, these programs have known costs and are representative of types of water transfers that may be developed in the future. The unit cost for these programs is calculated as the present value of the program costs divided by program yield in acre-feet.

The total revenue requirement for the supply service function is about $162 million in FY 2003/04. At an expected average sales level of 2.07 million acre-feet it is estimated that about 40,500 acre-feet will be sold at the Tier 2 Supply Rate. This will generate about $6.2 million. The remaining supply costs are recovered by the Tier 1 Supply Rate and by the long-term storage water rate and agricultural water rate discussed below.

The two-tier pricing approach is closely linked to the Purchase Order and a base level of demand. The initial base demand (IBD) is defined as the maximum annual firm demands on the Metropolitan system for the 13 years ending June 30, 2002. Firm demands are defined as all deliveries through the Metropolitan system to a member agency excluding: (1) long-term seasonal storage service; (2) interim agricultural service; (3) deliveries made under the interruptible service program and (4) deliveries made from cooperative, cyclic and conjunctive use storage accounts not certified under the long-term seasonal storage service program.

Member agencies that submitted a Purchase Order may purchase up to 90 percent of the IBD at the lower Tier 1 Supply Rate. For supply purchases in excess of 90 percent of the IBD the member agency will be charged the higher Tier 2 Supply Rate. Member agencies that do not submit a Purchase Order are charged the higher Tier 2 Supply Rate for supplies that exceed 60 percent of the IBD. Over time the IBD will be compared to a rolling ten-year average of firm demands (not including water transfers). The greater of the IBD and the rolling ten-year average of firm demands will be used to set the breakpoint between supply purchases made at the Tier 1 and Tier 2 Supply Rates.

2.9 Tier 1 supply rate

The Tier 1 Supply Rate effective January 1, 2004 is recommended to remain unchanged at its current level of $73 per acre-foot. The Tier 1 Supply Rate recovers the majority of the supply revenue requirement. The Tier 1 Supply Rate is simply calculated as the amount of the total supply revenue requirement that is not recovered by the Tier 2 Supply Rate and a portion of the revenues from the long-term storage water rate and agricultural water rate divided by the estimated amount of Tier 1 water sales. At an expected demand level of about 2.07 million acre-feet it is estimated that Metropolitan will sell about 1.7 million acre-feet at the Tier 1 Supply Rate in 2003/04.

2.10 Replenishment and agricultural water rates

Metropolitan currently provides interruptible service for long-term storage replenishment operations and agricultural deliveries through the seasonal storage service program (SSS) and the interim agricultural water program (IAWP). In 2003/04, long-term replenishment deliveries are expected to be about 175,000 acre-feet and certified agricultural deliveries are expected to be about 146,000 acre-feet.

It is recommended that the current untreated water rates for the long-term seasonal storage service program and interim agricultural water program of $233 and $236 per acre-foot remain in effect through calendar year 2004. It is recommended that the current treated water rates of $290 and $294 per acre-foot for long-term seasonal and agricultural service increase by $10 per acre-foot to cover the additional cost of providing treated water service. Revenue generated by these rates will be used to proportionally reduce the revenue requirement that must be recovered by the System Access Rate, Water Stewardship Rate, System Power Rate, Treatment Surcharge and Tier 1 Supply Rate.

3 Sales

Estimated water sales under normal weather conditions are provided in schedule 12. Staff estimates of water sales used for developing the rate recommendation were based on current member agency demands and information and an expectation that demands will return toward average levels under normal weather conditions. Since 1989/90, total sales have averaged about 1.95 million acre-feet per year, ranging from a high of around 2.5 million acre-feet in 1989/90 to a low of about 1.5 million acre-feet in 1997/98.

Schedule 13. Estimated FY 2004 Deliveries (assuming expected normal demands)

	Tier 1*	Tier 2*	Agricultural	Replenishment	Total
Anaheim	16,569	-	-	-	16,569
Beverly Hills	11,772	-	-	-	11,772
Burbank	13,096	-	-	-	13,096
Calleguas	104,942	18,340	3,599	-	126,881
Central Basin	58,745	-	-	-	58,745
Compton	5,058	302	-	-	5,360
Eastern	74,848	16,027	20,029	-	110,904
Foothill	10,310	-	-	-	10,310
Fullerton	8,284	-	24	-	8,308
Glendale	20,444	-	-	-	20,444
Inland Empire	59,901	4	88	6,500	66,493
Las Virgenes	18,200	1,820	-	-	20,020
Long Beach	32,293	-	-	8,000	40,293
Los Angeles	258,038	-	-	-	258,038
MWDOC	209,925	-	8,034	94,000	311,959
Pasadena	23,070	-	-	-	23,070
San Diego	432,162	-	85,727	4,000	521,889
San Fernando	-	-	-	-	-
San Marino	1,000	-	-	-	1,000
Santa Ana	12,355	322	-	-	12,677
Santa Monica	11,120	441	-	-	11,561
Three Valleys	67,340	-	75	5,400	72,815
Torrance	20,475	-	-	-	20,475
Upper San Gabriel	17,724	439	700	34,000	52,864
West Basin	142,600	-	-	1,960	144,560
Western	60,797	161	28,050	-	89,008
Total	**1,691,068**	**37,857**	**146,326**	**153,860**	**2,029,110**

*Tier 1 / Tier 2 split bases on tentative FY2002 firm sales data.

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION ____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ADOPTING A READINESS-TO-SERVE CHARGE FOR FISCAL YEAR 2003/04

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 2002 (the "Engineer's Report"), on file with the Executive Secretary, a copy of which is attached as Exhibit 1; and

WHEREAS, by Resolution 8836, adopted at its meeting held January 14, 2003, 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 8836 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 11, 2003, on the Board's intent to impose a readiness-to-serve charge as described in Resolution 8836; and

WHEREAS, the Budget, Finance and Investment Committee of the Board conducted a public hearing at its regular meeting on February 11, 2003, 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 8836 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 2003-04.

Section 2. That said readiness-to-serve charge shall be in an amount sufficient to provide for payment of capital financing costs and other costs appropriately allocated to system capacity that serves standby and emergency storage service needs.

Section 3. That such readiness-to-serve charge for July 1, 2003 through and including December 31, 2003 shall be a water rate equal to $52.13 per acre-foot and for January 1, 2004 through and including June 30, 2004 shall be a water rate equal to $52.69 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 applicable ten-year period identified in Section 8 below. The aggregate readiness-to-serve charge for the period from July 1, 2003 through and including June 30, 2004 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, 2003 through and including June 30, 2004 shall be a capital facilities fee in the aggregate amount of $80,000,000, which shall be allocated as provided in Section 8 below.

Section 5. That this Board finds that the 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 from July 1, 2003 through and including December 31, 2003 the readiness-to-serve charge shall be allocated among the member public agencies in proportion to the average of deliveries through Metropolitan's system (in acre-feet) to each member public agency during the ten-year period ending June 30, 2001 and from January 1, 2004 through and including June 30, 2004 the readiness-to-serve charge shall be allocated among the member public agencies in proportion to the average of deliveries through Metropolitan's system (in acre-feet) to each member public agency during the ten-year period ending June 30, 2002. 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 effective July 1, 2003, is as follows:

TABLE 1
FISCAL YEAR 2003/04 READINESS-TO-SERVE CHARGE

Member Agency	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1991/92 - FY2000/01	RTS Share	6 months @ $80 million per year (7/03-12/03)	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1992/93 - FY2001/02	RTS Share	6 months @ $80 million per year (1/04-6/04)	Total RTS Charge
Anaheim	16,740	1.09%	$ 436,321	17,136	1.13%	$ 451,395	$ 887,716
Beverly Hills	13,163	0.86%	343,103	13,301	0.88%	350,384	693,487
Burbank	14,708	0.96%	383,366	14,120	0.93%	371,936	755,302
Calleguas MWD	91,345	5.95%	2,380,917	95,234	6.27%	2,508,634	4,889,551
Central Basin MWD	73,661	4.80%	1,919,982	62,958	4.15%	1,658,444	3,578,426
Compton	4,051	0.26%	105,578	4,006	0.26%	105,522	211,100
Eastern MWD	55,412	3.61%	1,444,338	58,753	3.87%	1,547,671	2,992,008
Foothill MWD	8,926	0.58%	232,652	8,663	0.57%	228,198	460,851
Fullerton	7,879	0.51%	205,369	7,427	0.49%	195,641	401,010
Glendale	26,344	1.72%	686,670	27,151	1.79%	715,200	1,401,870
Inland Empire Utilities Agency	43,233	2.82%	1,126,878	43,875	2.89%	1,155,740	2,282,619
Las Virgenes MWD	18,681	1.22%	486,920	19,801	1.30%	521,589	1,008,509
Long Beach	41,736	2.72%	1,087,850	35,524	2.34%	935,768	2,023,617
Los Angeles	178,632	11.64%	4,656,088	167,336	11.02%	4,407,943	9,064,030
Municipal Water District of Orange County	206,341	13.45%	5,378,334	207,931	13.69%	5,477,298	10,855,632
Pasadena	17,698	1.15%	461,312	15,088	0.99%	397,455	858,766
San Diego County Water Authority	389,077	25.35%	10,141,374	414,444	27.29%	10,917,250	21,058,624
San Fernando	221	0.01%	5,757	56	0.00%	1,466	7,223
San Marino	1,186	0.08%	30,912	1,168	0.08%	30,771	61,683
Santa Ana	12,626	0.82%	329,097	9,318	0.61%	245,444	574,541
Santa Monica	8,834	0.58%	230,269	9,134	0.60%	240,618	470,888
Three Valleys MWD	61,235	3.99%	1,596,106	63,146	4.16%	1,663,375	3,259,481
Torrance	20,632	1.34%	537,790	21,416	1.41%	564,126	1,101,916
Upper San Gabriel Valley MWD	8,400	0.55%	218,940	9,172	0.60%	241,610	460,550
West Basin MWD	171,126	11.15%	4,460,439	147,014	9.68%	3,872,622	8,333,061
Western MWD	42,725	2.78%	1,113,639	45,323	2.98%	1,193,899	2,307,538
MWD Total	**1,534,611**	**100.00%**	**$ 40,000,000**	**1,518,494**	**100.00%**	**$ 40,000,000**	**$ 80,000,000**

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.

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 to be effective January 1, 2004. This recommendation forms the basis of the readiness-to-serve charge and 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 reimposition of the Metropolitan water standby charge at the same rates imposed in FY 1996/97 upon land within Metropolitan's (and such member public agency's) service area to which water is made available by Metropolitan for any purpose, whether such water is used or not.

Section 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 reimposition of water standby charges on parcels with respect to which water standby charges have been imposed in FY 1996/97 and annually thereafter ("pre-1997 standby charges") and the levy of standby charges on parcels annexed to Metropolitan and to an electing member agency after January 1997 ("post-1997 standby charges"). Only land within each electing member public agency with respect to which standby charges were imposed in FY 1996/97 will be subject to the reimposition of pre-1997 standby charges for FY 2003/04. 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 XIIID, 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 2003/04. The Engineer's Report lists parcels annexed, or to be annexed, to Metropolitan and to electing member agencies during FY 2003/04, such parcels being subject to the post-1997 standby charge upon annexation. 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 2003/04 Standby Charge

Member Agency	Amount
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

* Applicable to parcels in MWD of Orange County which were included within territory of former Coastal MWD.
** Exclusive of parcels included within territory of former Coastal MWD.

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

Section 18. On February 11, 2003, the Budget, Finance and Investment Committee of Metropolitan's Board conducted a public hearing at which interested parties were afforded the opportunity to present their views regarding the readiness-to-serve charge in accordance with Sections 4304(e) and 4304(k) of 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 13, 2003 (on such other date as the Board shall hold its regular meeting in such month), on the Chief Executive Officer's recommendation to impose a water standby charge for FY 2003/04 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 8, 2003 (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 8, 2003, 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, 2003. 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.

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 11, 2003.

_____

Executive Secretary
The Metropolitan Water District
of Southern California

Exhibit 1

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 2003/04

December 2002

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 5,200 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 that ensure reliable high quality water supplies throughout its service area. The purpose of this report is to: (1) identify and describe those facilities and programs which will be financed in part by Metropolitan's readiness-to-serve (RTS) charge in FY 2003/04, 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 and other allocated capital costs associated with emergency and standby services. 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 2003. 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 FY 2003/04 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. DVL provides 800,000 acre-feet of storage capacity for water from the Colorado River Aqueduct and SWP, effectively doubling Southern California’s previous surface water storage capacity. Water stored in system storage during above average supply conditions (surplus) provides a reserve against shortages when supply sources are limited or disrupted. System storage also preserves Metropolitan's capability to deliver water during scheduled maintenance periods, when conveyance facilities must be

removed from service for rehabilitation, repair, or maintenance. The potential benefit of system storage in FY 2003/04 is shown in Table 1.

Conveyance and Distribution System Benefits

Metropolitan has an ongoing commitment, through physical system improvements and the maintenance and rehabilitation of existing facilities, to maintain the reliable delivery of water throughout the entire service area. System improvement projects include additional conveyance and distribution facilities to maintain the dependable delivery of water supplies, provide alternative system delivery capacity, and enhance system operations. Conveyance and distribution system improvement benefits also include projects to upgrade obsolete facilities or equipment, or to rehabilitate or replace spent facilities or equipment. These projects are needed to enhance system operations, comply with new regulations, and maintain a reliable distribution system. A list of conveyance and distribution system facilities is provided in Table 3 along with the FY 2003/04 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 FY 2003/04) 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 158,195 acre-feet of water for FY 2003/04 with financial incentive payments of about $30 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 FY 1990/91, Metropolitan has spent over $100 million to support local conservation projects.

In 1991, Metropolitan agreed to implement conservation "Best Management Practices" (BMPs). By signing the Memorandum of Understanding Regarding Urban Water Conservation in California, Metropolitan committed to implement proven and reliable water conserving technologies and educational programs for conservation within its jurisdiction. Based on Metropolitan's IRP, the Conservation Credits Program, in conjunction with plumbing codes and other conservation efforts, is expected to save over 500,000 acre-feet in FY 2003/04. 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 XIIIA 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 ratepayers, which might more equitably be paid in part by assessments on land that in part derives its value

from the availability of water. In December 1993, Metropolitan's Board approved a revenue structure that included additional charges to establish a commitment to Metropolitan's capital improvement program and provide revenue stability. This revenue structure included the RTS charge.

Readiness-To-Serve Charge

As noted above, Metropolitan levies the RTS charge on its member agencies to recover a portion of the debt service on bonds issued to finance capital facilities needed to meet existing demands on Metropolitan's system. The estimated potential benefits that could be paid by an RTS charge in FY 2003/04 are about $232 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 FY 2003/04, 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 FY 2003/04 is allocated to each member agency on the basis of a ten-year rolling average of historic water purchases from Metropolitan ending June 30, 2002. This average includes all deliveries used to meet firm demand (consumptive municipal industrial demands), including water transfers and exchanges. The estimated FY 2003/04 RTS for each member agency is shown in Table 4.

Standby Charge Option

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

Metropolitan will levy standby charges only within the service areas of the member agencies that request that the standby charge be utilized. The standby charge for each acre or parcel of less than an acre will vary from member agency to member agency, as permitted under the legislation establishing Metropolitan's standby charge. The water standby charge for each member agency will be the same as that imposed by Metropolitan in FY 1996/97 and is shown in Table 5.

The proposed standby charge includes the re-imposition of water standby charges on: (1) parcels which water standby charges have been imposed in FY 1996/97 and annually thereafter ("pre-1997 standby charges") and (2) parcels annexed to Metropolitan and to an electing

member agency after January 1997 ("annexation standby charges"). Only land within member agencies which standby charges were imposed in FY 1996/97 will be subject to the re-imposition of pre-1997 standby charges for FY 2003/04. 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 XIIID, Section 4 of the California Constitution will be subject to the imposition or re-imposition, as applicable, of annexation standby charges for FY 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 conveyance, storage, distribution and supply program, which could be paid by a standby charge, is approximately $242 million for FY 2003/04, as shown in Table 1. An average total standby charge of $57.44 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 2003/04. 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 FY 2003/04, 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 2003/04 standby charge for each is available in the office of the Chief Financial Officer.

Prepared under the supervision of:

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Chief Financial Officer

TABLE 1

ESTIMATED DISTRIBUTION OF BENEFITS OF WATER SUPPLY
PAYABLE BY STANDBY CHARGE

Water Conveyance, Storage, Distribution and Supply Program	Estimated Potential Program Benefits for FY2003-04	Dollars Per Parcel of 1 Acre or Less
Net Capital Payments to State Water Project (less portion paid by property taxes)	$58,410,533	$13.88
Non Tax Supported Debt Service Costs for System Storage [1]	74,911,851	17.80
Non Tax Supported Debt Service Costs for Conveyance and Distribution System [2]	61,743,377	14.67
Sub-Total Capital Payments	**195,065,762**	**46.34**
less Estimated Standby Charge Revenues	(42,344,737)	(10.06)
Remaining capital payments	152,721,024	36.28
Demand Management Programs: Water Recycling, Groundwater Recovery and Water Conservation Projects	**46,724,890**	**11.10**
Sub-Total Capital, Debt Service and Water Management Programs Costs not Paid by Standby Charge Revenues	199,445,914	47.38
Total Benefits: Capital and Water Management Programs	**$241,790,652**	**$57.44**

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 2003/04 Payment
Water Recycling Projects	**$19,882,730**
Burbank Reclaimed Water System Expansion Project	
Calabasas Reclaimed Water System Expansion	
Carbon Canyon Reclamation Project	
Century Reclamation Program	
Cerritos Reclaimed Water Expansion Project	
Conejo Creek Diversion Project	
Eastern Reach 1, Phase II Water Reclamation Project	
Eastern Regional Reclaimed Water System	
Encina Basin Water Reclamation Project Phase I	
Escondito Regional Reclaimed Water Project	
Fallbrook Reclamation Project	
Glendale Water Reclamation Expansion Project	
Glendale Verdugo-Scholl Canyon Reclaimed Water Project	
Glendale Brand Park Reclaimed Water Project	
Green Acres Reclamation Project	
Irvine Ranch Reclamation Project	
Lakewood Water Reclamation Project	
Las Virgenes Reclamation Project	
Long Beach Reclamation Project	
Long Beach Reclaimed Water Master Plan Phase 1	
Los Angeles Greenbelt Project	
Moulton Niguel Water Reclamation Project	
North City Water Reclamation Project	
Oak Park/North Ranch Reclaimed Water Distribution System	
Oceanside Water Reclamation Project	
Otay Water Reclamation Project, Phase 1	
Padre Dam Reclaimed Water System Phase I	
Rancho California Reclamation Expansion Project	
Rancho Santa Fe Reclaimed Water System	
Rio Hondo Water Reclamation Program	
San Clemente Water Reclamation Project	
San Elijo Water Reclamation System	
San Pasqual Water Reclamation Project	
Santa Margarita Water Reclamation Expansion Project	
Santa Monica Dry-Weather Runoff Reclamation Facility	
Ramona/Santa Maria Water Reclamation Project	
Sepulveda Basin Water Reclamation Project	
Shadowridge Water Reclamation Project	
South Laguna Reclamation Expansion Project	
South Laguna Reclamation Project	
Trabuco Canyon Reclamation Expansion Project	
West Basin Water Reclamation Project	

TABLE 2 (Continued)

WATER RECYCLING, GROUNDWATER RECOVERY AND CONSERVATION PROJECTS

Project Name	FY 2003/04 Payment
Groundwater Recovery Projects	**$10,376,160**
Arlington Basin Groundwater Desalter Project	
Beverly Hills Desalter	
Burbank Lake Street Plant	
Capistrano Beach Desalter	
Chino Basin Desalination Program, Phase I	
Colored Water Treatment Facility	
Glenwood Nitrate Water Reclamation Project	
Irvine Desalter Project	
Lower Sweetwater River Groundwater Demineralization Project, Phase I	
Madrona Desalination Facility Project	
Menifee Basin Desalter	
Oceanside Desalter - Phase I	
Oceanside Desalter, Phase II	
Rowland Groundwater Treatment Plant	
San Juan Basin Desalter	
Santa Monica GW Treatment Plant	
Sepulveda Desalination Facility Project	
Temescal Basin Desalting Facility	
Tustin Desalter Project	
West Basin (No. 1)	
Westlake Wells - Tapia WRF Intertie Project	
Conservation Projects	**$16,466,000**
Commercial and Industrial Water Evaluations and Retrofits	
Indoor and Outdoor Residential Water Audits	
Landscape Education Programs	
Landscape Water Conservation	
Pilot Projects for "Potential" Best Management Practices	
Showerhead Retrofits	
Ultra-low-flush Toilet Retrofits	
Water and Energy Conservation Partnership	
Total	**$46,724,890**

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description
Conveyance and Aqueduct Facilities
LITLE 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
COLORAD0 RIVER ACQUEDUCT, CONDUIT SCHEDULE 1
COLORADO RIVER ACQUEDUCT, 3 SIPHONS, SCHEDULE 1A
COLORADO RIVER ACQUEDUCT, 2 HALF-CAP SIPHONS, SCHEDULE 1B
HALF CAP CIRC. SIPHONS SCHEDULE 18J
CONDUIT SCHEDULE 23
CIRCULAR SIPHONS SCHEDULE 20
PERRIS VALLEY SIPHON SCHEDULE 22
VAL VERDE TUNNEL
IRON MOUNTAIN TUNNEL, EAST PORTION
COLORADO RIVER ACQUEDUCT, LINED CANAL SCHEDULE 5
COLORADO RIVER ACQUEDUCT, 12 HALF-CAP SIPHONS, SCHEDULE 5A
COLORADO RIVER ACQUEDUCT CANAL SCHEDULE 13
COLORADO RIVER ACQUEDUCT, 6 BOX SIPHONS, SCHEDULE 13B
COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.13A
WHIPPLE MOUNTAIN TUNNEL
IRON MOUNTAIN TUNNEL, WEST PORTION
COLORADO RIVER ACQUEDUCT, LINED CANAL SCHEDULE 4A
COLORADO RIVER ACQUEDUCT, 10 HALF-CAP SIPHONS, SCHEDULE 4A
COXCOMB TUNNEL
WEST EAGLE MOUNTAIN TUNNEL, EAST PORTION
COACHELLA TUNNELS

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description		
COLORADO RIVER ACQUEDUCT , CONCRETE LINED CANAL, SCHEDULE 9		
COLORADO RIVER ACQUEDUCT, 8 BOX SIPHONS, SCHEDULE 9B		
COLORADO RIVER ACQUEDUCT & COVER CONDUIT SCHEDULE 9A		
COLORADO RIVER ACQUEDUCT, CONDUIT SCHEDULE 2		
COLORADO RIVER ACQUEDUCT, CONDUIT, SCHEDULE 3 (ACCTG RECORDS - LINED CANAL?)		
COLORADO RIVER ACQUEDUCT, 8 HALF-CAP SIPHONS, SCHEDULE 3B		
COLORADO RIVER ACQUEDUCT, 12 HALF-CAP SIPHONS, SCHEDULE 3A		
COLORADO RIVER ACQUEDUCT, 7 HALF-CAP SIPHONS, SCHEDULE 2B		
COLORADO RIVER AQUEDUCT, 10 HALF-CAP SIPHONS SCHEDULE 17B		
CUT-AND-COVER CONDUIT SCHEDULE 17;17A		
COLORADO RIVER ACQUEDUCT CANAL SCHEDULE 11		
COLORADO RIVER ACQUEDUCT, 9 BOX SIPHONS, SCHEDULE 11B		
COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.11A		
COLORADO RIVER ACQUEDUCT, CIRC. SIPHON, SCHEDULE 11C		
EAST EAGLE MOUNTAIN TUNNEL		
COLORADO RIVER AQUEDUCT, 1 BOX SIPHON, SCHEDULE HAYFIELD		
COLORADO RIVER ACQUEDUCT, LINED CANAL SCHEDULE 8		
COLORADO RIVER ACQUEDUCT, FRIDAY HALF-CAP SIPHON, SCHEDULE 6		
COLORADO RIVER ACQUEDUCT, HALF-CAP SIPHONS, SCHEDULE 8A		
COLORADO RIVER ACQUEDUCT, HALF-CAP SIPHONS, SCHEDULE 8B		
COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.15		
COLORADO RIVER ACQUEDUCT, 2 CIRCULAR SIPHONS, SK. 15A		
COLORADO RIVER ACQUEDUCT, 2 16 FT.,CIRCULAR SIPHONS, SK.15B		
CONDUIT SCHEDULE 18		
HALF CAP CIRC. SIPHONS SCHEDULE 18A		
COLORADO RIVER ACQUEDUCT CUT & COVER CONDUIT SK.12		
COLORADO RIVER ACQUEDUCT, 2 CIRCULAR SIPHONS, SCHEDULE 12A		
COLORADO RIVER ACQUEDUCT, GENE INLET SIPHON		
COLORADO RIVER ACQUEDUCT, COPPER BASIN SIPHON		
CUT-AND-COVER CONDUIT, SCHEDULE 16		
COLORADO RIVER AQUEDUCT, 4 SIPHONS , SCHEDULE 16B		
COLORADO RIVER AQUEDUCT, 2 HALF-CAP SIPHONS, SCHEDULE 16A		
CONDUIT SCHEDULE 19		
HALF CAP CIRC. SIPHONS SCHEDULE 19A		
SAN JACINTO TUNNEL		
CASA LOMA SIPHON- EAST PORTION SCHEDULE 20A; 20B		
GATES, FOUR SAN JACINTO TUNNEL - CRA (ORG CONST)		
BLOWOFF AT WIDE CANYON SIPHON- CRA (INTERIM CONST)		
SAN JACINTO TUNNEL: ADDITIONAL GROUTING		
SAN JACINTO TUNNEL:SECOND BARREL OF CASA LOMA SIPHONS		
SAN JACINTO TUNNEL: EXPANSION OF SIPHONS (EAST OF TUNNEL)		
SAN JACINTO TUNNEL: EXPANSION OF SIPHONS (EAST OF TUNNEL)		
EAST BRANCH AQUEDUCT STUDIES		
CANAL CURB ALONG COLORADO RIVER AQUEDUCT		
CASA LOMA SIPHON- REPLACE FIRST BARREL		
SAND TRAP STUDY		
CASA LOMA PIPELINE-CONSTRUCT OVERFLOW BASIN & DRAIN LINE		
BERNASCONI TUNNEL NO.2, SCH. 311		
MODIFY STRUCTURE EAST WIDE CANYON SIPHON		
REPAIR DETERIORATED JOINTS IN CRA LAKEVIEW SIPHON		
INLAND FEEDER PROJECT		
Sub-Total Conveyance and Aqueduct Facilities Benefits	**$**	**28,978,539**

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 N0. 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 CEN. B-37
ORANGE COUNTY FEEDER EXTN.TERMINUS REVISION:STA.2053+43 TO 2134+81
VICTORIA ST. LATERAL EXTN. & VICTORIA ST.-223RD ST. CROSS FEEDER (SPEC NO. 406)
LOWER FEEDER: CAJALCO TUNNEL: STA. 1+00 TO 80+00 (SPEC NO. 413)
MIDDLE CROSS FEEDER:STA.285+40 TO 360+62.29(WADSW0RTH-FIGUEROA ST) (SPEC 452, SCH 54SC)
MIDDLE CROSS FEEDER:STA.285+40 TO 360+62.29(WADSW0RTH-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
ENCASEMENT OF P.V. FEEDER- SAN BERNARDINO FREEWAY
SANTA ANA CROSS FEEDER(FORMERLY EL TORO PIPELINE) CONNECTS OC AND EOC#2 FDRS
WRITE OFF DEMOLISHED MASTER METER AT SANTA ANA CROSS FDR
SECOND LOWER FEEDER- SCH. 114 & 115
SECOND LOWER FEEDER- SCH. 110 & 111- STA. 830+00 TO 1050+00
SECOND LOWER FEEDER- SCH. 110 & 111- STA. 830+00 TO 1050+00
SEPULVEDA FEEDER- EL SEGUNDO BLVD. TO 220TH ST.,SCH. 133 AND 134
FOOTHILL FDR.-SCH.271 & 272, PIPELINE CITRUS AVE. TO DWR. DEVIL CANYON
FOOTHILL FEEDER RIALTO PIPELINE- SCH. 266 & 267
SEPULVEDA FEEDER- SEPULVEDA TUNNEL TO SLAUSON AVE.
SEPULVEDA FEEDER- CULVER CITY FDR. TO WEST COAST FDR.
FOOTHILL FEEDER CONTROL STRUCTURE
ORANGE COUNTY FEEDER- RELOCATION STA. 1278+00 TO 1292+00
SEPULVEDA FEEDER- SCH. 123, 124 AND 125
SEPULVEDA FEEDER- SCH. 123, 124 AND 125
FOOTHILL FEEDER RIALTO PIPELINE- SCH 268 (CAMPUS AV. TO HERMOSA AV.)
FOOTHILL FEEDER RIALTO PIPELINE- SCH 268 (CAMPUS AV. TO HERMOSA AV.)
FOOTHILL FEEDER RIALTO PIPELINE- SCH 268 (CAMPUS AV. TO HERMOSA AV.)
FOOTHILL FEEDER- SAN FERNANDO TUNNEL
FOOTHILL FEEDER- SAN FERNANDO TUNNEL
FOOTHILL FEEDER- SAN FERNANDO TUNNEL
OLINDA PRESSURE CONTROL STRUCTURE- LOWER FEEDER
OLINDA PRESSURE CONTROL STRUCTURE- LOWER FEEDER
SEPULVEDA FEEDER- SCH. 123, 124 AND 125
SEPULVEDA FEEDER- VENICE PRESSURE CONTROL STRUCTURE
SEPULVEDA FEEDER- VENICE PRESSURE CONTROL STRUCTURE
SEPULVEDA FEEDER- VENICE PRESSURE CONTROL STRUCTURE
INLAND FOR SYSTEM- BOX SPRINGS FEEDER
EAST VALLEY FEEDER (FORMERLY CALLEGUAS CONDUIT)
GREG AVE. PCS-SURGE TANK, REPLACE INTERIOR LINING

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

Table 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description		
LAKE PERRIS BY PASS PIPELINE		
SAN DIEGO CANAL MODIFICATION- 5 ADDITIONAL SIPHONS		
RIALTO PPLN- INSTALL 2 CATHDIC PROTECTION SYSTEM		
RIALTO PPLN- INSTALL 2 CATHDIC PROTECTION SYSTEM		
SAN DIEGO CANAL ENLARGEMENT PHASE 2		
SAN DIEGO CANAL ENLARGEMENT PHASE 2		
SAN DIEGO CANAL ENLARGEMENT PHASE 2		
STRUCTURE MODIFICATIONS TO SAN DIEGO PIPELINE'S # 1 AND 2		
INSPECTION OF THE ALLEN-McCOLLOCH PIPELINE		
AMP - CURRENT YEAR		
ETIWANDA PIPELINE - RIALTO PIPELINE TO UPPER FEEDER		
ETIWANDA PIPELINE CATHODIC PROTECTION		
MINOR CAPITAL PROJECTS- LAKEVIEW PIPELINE		
RIALTO PIPELINE AT DEVIL'S CANYON		
MINOR CAPITAL PROJ - SD PIPEL #4 &5-CORR CNTRL SYS		
SKINNER BYPASS PIPELINE CHLORINATION SYSTEM		
LAKE SKINNER -BYPASS PIPELINE #2 AND #3		
LAKE SKINNER - CHLORINATION SYSTEM OUTLET TOWER BYPASS PIPELINE		
ALLEN-McCULLOCH PIPELINE		
LAKE MATHEWS HEADWORKS- REPLACE TWO VALVES (WO #3543)		
SERVICE CONNECTION P-1-UPPER FEEDER (ORG CONST)		
UPPER FEEDER- SERVICE CONNECTION P-1		
JENSEN PLANT- SERVICE CONNECTION - LA 25		
SANTA MONICA FEEDER-GLENDALE SERVICE CONNECTION G-2 RECON T/2		
SANTA MONICA FEEDER-GLENDALE SERVICE CONNECTION G-2 RECON T/2		
SANTA MONICA FEEDER- BETTERMENT OF SERVICE CONNECTION BH-1		
RECONSTRUCT ORANGE COUNTY FEEDER SERVICE CONNECTION PM-1		
METER- SERVICE CONNECTION PM - 17 UPPER FEEDER (INTERIM CONST)		
REPLACE FLOWMETERS IN SERVICE CONNECTIONS		
REPLACE FLOWMETERS IN SERVICE CONNECTIONS		
REPLACE FLOWMETERS IN SERVICE CONNECTIONS		
VALVE,24" GATE -SERVICE CONNECTION - UPPER FEEDER (INTERIM CONST)		
MECHANICAL / VENTURI TYPE METERS- DISTR SYSTEM (INTERIM CONST)		
PALOS VERDES FDR- LA CITY MODIFICATION OF SERVICE CONNECTION		
MILLS FILTR. PLANT- SERVICE CONNECTION WR-24A TURNOUT STRUCTURE		
ORANGE COUNTY FDR.SERV.CONN.A-1,RELOC.METER CABINET & ELEC.SERV.		
SERVICE CONN. DW-CV-4,WHITE WATER SIPHON (2ND BARREL)STA. 9698+00		
SERVICE CONN. DW-CV-4, VALVE STRUCTURE,WATER SIPHON, STA. 9698+00		
SERVICE CONN. DW-CV-4, VALVE STRUCTURE,WATER SIPHON, STA. 9698+00		
MWD SHARE FOR DESIGN AND CONSTRUCSTION OF SC. LA-35		
ORANGE COUNTY FEEDER - SVC CONN SA-3, REPLACE MECHICAL METER		
Sub-Total Distribution Facilities Benefits	**$**	**32,764,838**
Total Conveyance and Distribution Facilities Benefits	**$**	**61,743,377**

TABLE 4
FISCAL YEAR 2003/04 READINESS-TO-SERVE CHARGE

Member Agency	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1991/92 - FY2000/01	RTS Share	6 months @ $80 million per year (7/03-12/03)	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1992/93 - FY2001/02	RTS Share	6 months @ $80 million per year (1/04-6/04)	Total RTS Charge
Anaheim	16,740	1.09%	$ 436,321	17,136	1.13%	$ 451,395	$ 887,716
Beverly Hills	13,163	0.86%	343,103	13,301	0.88%	350,384	693,487
Burbank	14,708	0.96%	383,366	14,120	0.93%	371,936	755,302
Calleguas MWD	91,345	5.95%	2,380,917	95,234	6.27%	2,508,634	4,889,551
Central Basin MWD	73,661	4.80%	1,919,982	62,958	4.15%	1,658,444	3,578,426
Compton	4,051	0.26%	105,578	4,006	0.26%	105,522	211,100
Eastern MWD	55,412	3.61%	1,444,338	58,753	3.87%	1,547,671	2,992,008
Foothill MWD	8,926	0.58%	232,652	8,663	0.57%	228,198	460,851
Fullerton	7,879	0.51%	205,369	7,427	0.49%	195,641	401,010
Glendale	26,344	1.72%	686,670	27,151	1.79%	715,200	1,401,870
Inland Empire Utilities Agency	43,233	2.82%	1,126,878	43,875	2.89%	1,155,740	2,282,619
Las Virgenes MWD	18,681	1.22%	486,920	19,801	1.30%	521,589	1,008,509
Long Beach	41,736	2.72%	1,087,850	35,524	2.34%	935,768	2,023,617
Los Angeles	178,632	11.64%	4,656,088	167,336	11.02%	4,407,943	9,064,030
Municipal Water District of Orange County	206,341	13.45%	5,378,334	207,931	13.69%	5,477,298	10,855,632
Pasadena	17,698	1.15%	461,312	15,088	0.99%	397,455	858,766
San Diego County Water Authority	389,077	25.35%	10,141,374	414,444	27.29%	10,917,250	21,058,624
San Fernando	221	0.01%	5,757	56	0.00%	1,466	7,223
San Marino	1,186	0.08%	30,912	1,168	0.08%	30,771	61,683
Santa Ana	12,626	0.82%	329,097	9,318	0.61%	245,444	574,541
Santa Monica	8,834	0.58%	230,269	9,134	0.60%	240,618	470,888
Three Valleys MWD	61,235	3.99%	1,596,106	63,146	4.16%	1,663,375	3,259,481
Torrance	20,632	1.34%	537,790	21,416	1.41%	564,126	1,101,916
Upper San Gabriel Valley MWD	8,400	0.55%	218,940	9,172	0.60%	241,610	460,550
West Basin MWD	171,126	11.15%	4,460,439	147,014	9.68%	3,872,622	8,333,061
Western MWD	42,725	2.78%	1,113,639	45,323	2.98%	1,193,899	2,307,538
MWD Total	**1,534,611**	**100.00%**	**$ 40,000,000**	**1,518,494**	**100.00%**	**$ 40,000,000**	**$ 80,000,000**

TABLE 5

FISCAL YEAR 2002/03
ESTIMATED STANDBY CHARGE REVENUE

Member Agencies	Total Parcel Charge	Number Of Parcels Or Acres	Gross Revenues (Dollars) [1]
Anaheim	$8.55	67,854	$580,155
Beverly Hills			
Burbank	$14.20	28,120	$399,303
Calleguas MWD	$9.58	254,712	$2,440,137
Central Basin MWD	$10.44	339,214	$3,541,397
Compton	$8.92	18,050	$161,009
Eastern MWD	$6.94	383,085	$2,658,608
Foothill MWD	$10.28	30,340	$311,895
Fullerton	$10.71	33,401	$357,727
Glendale	$12.23	44,668	$546,289
Inland Empire Utilities Agency	$7.59	227,762	$1,728,711
Las Virgenes MWD	$8.03	60,591	$486,549
Long Beach	$12.16	88,170	$1,072,142
Los Angeles			
Municipal Water District of Orange County (2)	$10.09	617,041	$7,231,547
Pasadena	$11.73	36,821	$431,916
San Diego County Water Authority	$11.51	1,072,524	$12,344,747
San Fernando	$7.87	5,139	$40,446
San Marino	$8.24	4,971	$40,960
Santa Ana	$7.88	53,481	$421,433
Santa Monica			
Three Valleys MWD	$12.21	148,358	$1,811,455
Torrance	$12.23	38,702	$473,330
Upper San Gabriel Valley MWD	$9.27	208,721	$1,934,843
West Basin MWD			
Western MWD	$9.23	360,766	$3,330,140
MWD Total (2)		4,209,182	$42,344,737

[1] Estimates per FY2001 actual receipts
(2) Adjusted for inclusion of Coastal MWD

Table 6

Riverside County:

Annexation	Parcel Number	Acres	Proposed Standby Charge (FY 03-04)
39th Fringe	359-210-027-5	34.31	316.68
40th Fringe	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

Annexation	Parcel Number	Acres	Proposed Standby Charge (FY 03-04)
	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
68th Fringe	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
Portions of the 41st Fringe	906-130-064	26.66	246.07
	906-130-065	15.11	139.47
	906-020-057	38.19	38.19

Ventura County:

Annexation	Parcel Number	Acres	Proposed Standby Charge (FY 03-04)
Calleguas 57	216-0-195-015	6.39	61.21
	231-0-040-275	14.96	143.32
	231-0-080-050	4.26	40.81
Calleguas 58	215-0-070-050	0.50	9.58
	215-0-070-060	21.15	202.62
	215-0-070-080	53.31	510.71
Calleguas 60	215-0-020-020	0.04	9.58
	215-0-020-030	1.50	14.37
	215-0-020-040	19.55	187.29
	215-0-020-060	30.56	292.77
Calleguas 61	229-0-010-100	0.08	9.58
	229-0-010-160	5.54	53.07
	229-0-010-170	54.89	525.85
Calleguas 63	138-0-190-215	2.05	19.64
	138-0-190-365	31.59	302.63
	138-0-190-405	73.42	703.36
	138-0-190-415	0.42	9.58
	138-0-190-420	75.70	725.21
	138-0-190-430	3.65	34.97
	138-0-190-445	3.48	33.34
	179-0-070-100	62.52	598.94

Annexation	Parcel Number	Acres	Proposed Standby Charge (FY 03-04)
Calleguas 67 (1)	183-0-010-335	11.23	107.58
	183-0-010-385	67.44	646.08
Calleguas 68	230-0-020-135	0.23	9.58
	230-0-020-195	21.54	206.35
Calleguas 69	215-0-061-045	8.72	83.54
	215-0-061-055	34.45	330.03
Calleguas 70	216-0-182-125	0.75	9.58
	216-0-182-135	0.75	9.58
	216-0-182-145	0.75	9.58
	216-0-182-155	0.75	9.58
Calleguas 73 (1)	183-0-010-305	4.75	45.51
	183-0-010-325	21.46	205.59
Calleguas 75	216-0-194-165	2.73	$26.16
Calleguas 76 Prcl A	225-0-012-020	6.97	$66.77
Calleguas 76 Prcl B	142-0-111-520	5.3	$50.78
	142-0-111-540	0.21	$2.01
	142-0-111-560	11.09	$106.24
Calleguas 79	183-0-050-180	51.4	$492.41
Calleguas 80	132-0-020-160	66.4	$636.12
	133-0-010-015	35.23	337.51
	133-0-010-115	5.8	55.57
	133-0-010-190	0.46	9.58
	133-0-010-475	2.25	21.56
	133-0-010-495	1.03	9.87
	133-0-010-575	149.16	1,428.96
	133-0-010-595	23.44	224.56
	133-0-010-605	128.61	1,232.09
	133-0-010-615	14.98	143.51
	133-0-010-630	1.89	18.11
Los Angeles County:			
Annexation	**Parcel Number**	**Acres**	**Proposed Standby Charge (FY 03-04)**
Mountain Cove	8684-006-002	40	370.8
Note: (1) indicates anticipate completion prior to July			

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION ____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING A CAPACITY CHARGE FOR FISCAL YEAR 2003/04

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

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

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

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

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

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

WHEREAS, on 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 was proposed to 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 was proposed to 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 9, 2002, 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 2003/04; and

WHEREAS, on January 13, 2003, 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 2002 (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 13, 2003, 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 2003/04; and

WHEREAS, by Resolution 8837, adopted at its meeting held January 14, 2003, 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 8837, 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, 2003, 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 8837 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, recognizing a request made by member agencies to simplify the administration of the capacity reservation charge and peaking surcharge and allocate costs for peak capacity based on actual historic use of capacity rather than a prospective estimate of capacity requested by the member agencies, the Board has determined to modify the proposed capacity reservation charge and peaking surcharge as provided in this Resolution, effective January 1, 2004; and

WHEREAS, the proposed capacity reservation charge shall be adopted as the capacity charge described herein, effective January 1, 2004; and

WHEREAS, the capacity 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 charge 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 charge is 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 of Southern California Fiscal Year 2003/04 Cost of Service" dated February 7, 2003 prepared by Metropolitan in support of the capacity charge; and

WHEREAS, in the alternative, Metropolitan has legal authority to impose the capacity charge as a capital facilities fee pursuant to Section 54999.2 of the Government Code and availability of service charge 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 charge, as described below, to be effective January 1, 2004.

Section 2. That the capacity charge 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 charge effective January 1, 2004 shall be a water rate of $6,100 per cubic feet per second (set in dollars per cubic feet per second of the peak day capacity) for capacity used by a member agency.

Section 4. That this Board finds that the capacity charge shall be capital facility fees and is necessary for the purpose of financing construction costs of public utility facilities furnished by Metropolitan, and does not exceed the proportionate share of the cost of the public utility facilities of benefit to each person or property being charged, based upon the proportionate share of use of those facilities.

Section 5. That in the alternative, and without duplication, the capacity charge shall be an availability of service charges pursuant to Section 134.5 of the Act.

Section 6. That this Board finds and determines that the capacity charge is a reasonable fee for use of capacity of Metropolitan's distribution system.

Section 7. That the capacity charge payable by each member agency shall be based on such member agency's maximum day firm demand for the May 1 through September 30 summer periods within the three calendar years ending December 31, 2002, in the amount of $6,100 per cubic feet per second of peak day capacity. The amount of the capacity charge to be imposed on each member agency effective January 1, 2004, is as follows:

Calendar Year 2004 Capacity Charge

Peak Day Flow (cfs)
(May 1 through September 30 Peak Day Demand)
Calendar Year

AGENCY	2000	2001	2002	3-Year Peak	Calendar Year 2004 Capacity Charge ($6,100/cfs)
Anaheim	76.0	56.5	54.4	76.0	$ 463,600
Beverly Hills	35.0	32.3	30.1	35.0	213,500
Burbank	51.8	36.6	38.2	51.8	315,980
Calleguas	255.1	247.3	258.5	258.5	1,576,850
Central Basin	137.4	131.8	128.3	137.4	838,140
Compton	10.5	7.6	9.6	10.5	64,050
Eastern	216.3	270.3	366.8	366.8	2,237,480
Foothill	21.5	23.8	21.7	23.8	145,180
Fullerton	26.4	24.2	27.6	27.6	168,360
Glendale	60.8	58.6	56.3	60.8	370,880
Inland Empire	169.0	171.8	155.3	171.8	1,047,980
Las Virgenes	46.3	35.8	43.5	46.3	282,430
Long Beach	57.5	60.6	51.7	60.6	369,660
Los Angeles	704.0	405.2	645.3	704.0	4,294,400
MWDOC	488.1	495.7	487.5	495.7	3,023,566
Pasadena	54.2	43.2	75.5	75.5	460,550
San Diego (1)	1120.3	1084.6	1241.4	1296.0	7,905,600
San Fernando	0.0	0.1	0.0	0.1	610
San Marino	3.0	2.7	6.8	6.8	41,480
Santa Ana	32.2	24.8	39.6	39.6	241,560
Santa Monica	29.0	29.6	31.9	31.9	194,590
Three Valleys	183.4	200.7	203.8	203.8	1,243,180
Torrance	42.5	44.4	38.8	44.4	270,840
Upper San Gabriel	53.4	53.5	72.1	72.1	439,810
West Basin	271.0	248.3	256.0	271.0	1,653,100
Western	218.8	211.4	224.6	224.6	1,370,060
Total					**$ 29,233,436**

(1) San Diego capacity set at 1,296 cfs per surface storage operating agreement terms

Section 8. That the capacity charge shall be collected from each member agency monthly, quarterly or semiannually as agreed to by Metropolitan and the member agency.

Section 9. That the Peaking Surcharge shall no longer be a component of Metropolitan's rate structure as of January 1, 2004.

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 charge is not defined as a Project from the provisions of the California Environmental Quality Act ("CEQA") since it is a rate or charge which involves 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).

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 11, 2003.

_____

Executive Secretary
The Metropolitan Water District
of Southern California

Division IV

WATER SERVICE POLICIES

§ 4401. Rates.

(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 water rate", "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 or Capacity 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 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~~Capacity Charge.

(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 through December 31, 2003, for system capacity (on a per cubic foot per second basis) requested by the member agency. Beginning January 1, 2004, t~~T~~he capacity charge will be payable by each member agency for system capacity (at the same level per cubic foot per second as the capacity reservation charge), based on the maximum summer day demand placed on the system between May 1 and September 30 for the three-calendar year period ending December 31, 2002, and thereafter for a rolling three-calendar year period.~~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.~~

Division IV

WATER SERVICE POLICIES

§ 4401. Rates.

(c) For purposes of agreements existing under the Local Resource Program, Local Projects Program, Groundwater Recovery Program and other similar programs, references to the "full service water rate," "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 or Capacity 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 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 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 Capacity Charge.

(a) The capacity reservation charge or capacity charge shall be set by the Board from time to time. The capacity reservation charge or capacity 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 through December 31, 2003, for system capacity (on a per cubic foot per second basis) requested by the member agency. Beginning January 1, 2004, the capacity charge will be payable by each member agency for system capacity (at the same level per cubic foot per second basis as the capacity reservation charge), based on the maximum summer day demand placed on the system between May 1 and September 30 for the three-calendar year period ending December 31, 2002, and thereafter for a rolling three-calendar year period.

(b) The capacity reservation charge or capacity charge shall be due monthly, quarterly or semiannually, as agreed upon by Metropolitan and the member public agency.