

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

August 19, 2003 Board Meeting

10-3

Subject

Correction of Readiness-to-Serve Charge and Capacity Charge allocations

Description

Metropolitan's new rate structure, effective Jan. 1, 2003, included changes in the methodology for allocating the Readiness-to-Serve Charge (RTS) among member agencies and the implementation of a Capacity Charge. Under the current formula, the RTS is allocated among the member agencies based on each agency's 10-year rolling average of firm demands. The Capacity Charge was set at \$6,100 per cubic foot per second and is levied on each member agency's maximum day demand during May through September for the three-year period ending December 31, 2002.

A review of the 10-year rolling average calculation, which was the basis for allocating the RTS for calendar year 2003 and calendar year 2004, identified two errors. Because of a data management error, the calculation of the 10-year rolling average used for the allocation of the RTS, effective Jan. 1, 2003, incorrectly accounted for seasonal shift and replenishment deliveries. In addition, the calculation for the 10-year rolling average used for the allocation of the RTS, effective Jan. 1, 2004, did not include seasonal storage shift water taken through in-lieu means after 1997. Seasonal shift water is considered firm demand and is included in the RTS allocation. As a result of these calculation errors, the RTS amounts did not accurately allocate RTS shares among member agencies. The correct allocations are shown in [Attachment 1](#) along with the difference from the original amount determined.

A database query used to determine maximum day demands used to allocate the Capacity Charge over counted meter flows for four agencies. In addition, a transfer of flows between Eastern MWD and Western MWD has been incorporated. The correct allocation of the Capacity Charge is shown in [Attachment 2](#) along with the difference from the original amount determined.

Member agencies that underpaid due to the RTS allocation error will be billed for the additional amount owed beginning in July 2004 per their billing preference for the RTS (monthly, quarterly or semiannual) so current 2003/04 budgets are not affected. Member agencies that overpaid will receive a credit on their bills in October 2003 and 2004. Adjustments to the Capacity Charge will begin in January 2004 and will coincide with the member agencies' billing preference. Staff will communicate with the member agencies and work with them to manage the impacts of these billing adjustments.

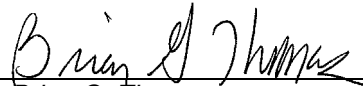
Staff has implemented new processes and procedures to ensure correct allocations in the future years. Staff will also work with the General Auditor and member agencies to assure that the process is sound and bills are accurate.

Policy

Metropolitan Water District Administrative Code § 4507 (m) (5): Billing and Payment for Water Deliveries: Discovery of Mistakes or Errors

Fiscal Impact

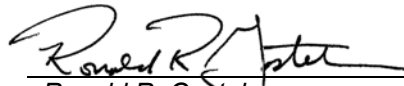
There will be a shift in payments of the RTS among member agencies. Metropolitan will collect the same amount of revenue.



Brian G. Thomas
Chief Financial Officer

7/28/2003

Date



Ronald R. Gastelum
Chief Executive Officer

7/29/2003

Date

Attachment 1 – RTS Charge Allocation Revisions

Attachment 2 – Capacity Charge Allocation Revisions

BLA #2417

Attachment 1 Readiness-to-Serve Charge Allocation Revisions								
	RTS Allocation Billed (Jan -Dec. 2003) (%)	RTS Allocation REVISED (Jan-Dec. 2003) (%)	Total RTS Billed FY 2002/03 (Jan-June) (\$)	Total RTS REVISED FY 2002/03 (Jan-June) (\$)	Total RTS Billed FY 2003/04 (July-Dec.) (\$)	Total RTS REVISED FY 2003/04 (July - Dec.) (\$)	Decrease in allocation (\$)	Increase in allocation (\$)
Anaheim	1.09%	1.13%	\$ 436,321	\$ 453,002	\$ 436,321	\$ 453,002	\$ -	\$ 33,363
Beverly Hills	0.86%	0.89%	343,103	355,638	343,103	355,638	-	25,069
Burbank	0.96%	0.98%	383,366	392,909	383,366	392,909	-	19,086
Calleguas MWD	5.95%	6.20%	2,380,917	2,478,365	2,380,917	2,478,365	-	194,896
Central Basin MWD	4.80%	4.24%	1,919,982	1,695,777	1,919,982	1,695,777	(448,410)	-
Compton	0.26%	0.27%	105,578	109,435	105,578	109,435	-	7,714
Eastern MWD	3.61%	3.43%	1,444,338	1,370,998	1,444,338	1,370,998	(146,679)	-
Foothill MWD	0.58%	0.61%	232,652	242,767	232,652	242,767	-	20,228
Fullerton	0.51%	0.49%	205,369	196,537	205,369	196,537	(17,664)	-
Glendale	1.72%	1.77%	686,670	709,904	686,670	709,904	-	46,468
Inland Empire Utilities Agency	2.82%	2.74%	1,126,878	1,096,542	1,126,878	1,096,542	(60,673)	-
Las Virgenes MWD	1.22%	1.26%	486,920	504,708	486,920	504,708	-	35,577
Long Beach	2.72%	2.49%	1,087,850	997,071	1,087,850	997,071	(181,557)	-
Los Angeles	11.64%	11.75%	4,656,088	4,700,065	4,656,088	4,700,065	-	87,955
Municipal Water District of Orange County	13.45%	14.09%	5,378,334	5,634,571	5,378,334	5,634,571	-	512,475
Pasadena	1.15%	1.01%	461,312	404,106	461,312	404,106	(114,411)	-
San Diego County Water Authority	25.35%	26.28%	10,141,374	10,513,695	10,141,374	10,513,695	-	744,642
San Fernando	0.01%	0.01%	5,757	3,382	5,757	3,382	(4,749)	-
San Marino	0.08%	0.08%	30,912	32,041	30,912	32,041	-	2,259
Santa Ana	0.82%	0.77%	329,097	306,583	329,097	306,583	(45,029)	-
Santa Monica	0.58%	0.57%	230,269	227,419	230,269	227,419	(5,700)	-
Three Valleys MWD	3.99%	4.12%	1,596,106	1,647,921	1,596,106	1,647,921	-	103,630
Torrance	1.34%	1.39%	537,790	557,438	537,790	557,438	-	39,294
Upper San Gabriel Valley MWD	0.55%	0.57%	218,940	226,938	218,940	226,938	-	15,997
West Basin MWD	11.15%	9.98%	4,460,439	3,993,116	4,460,439	3,993,116	(934,646)	-
Western MWD	2.78%	2.87%	1,113,639	1,149,070	1,113,639	1,149,070	-	70,863
MWD Total	100.00%	100.00%	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ (1,959,519)	\$ 1,959,519

Attachment 1 Readiness-to-Serve Charge Allocation Revisions							
	RTS Allocation Billed (Jan - Dec. 2004) (%)	RTS Allocation REVISED (Jan - Dec. 2004) (%)	Total RTS Billed (Jan - Dec. 2004) (\$)	Total RTS REVISED (Jan - Dec. 2004) (\$)	Decrease in allocation (\$)	Increase in allocation (\$)	Total Change in Allocation
Anaheim	1.13%	1.12%	\$ 902,791	\$ 896,844	\$ (5,947)	\$ -	\$ 27,416
Beverly Hills	0.88%	0.86%	700,768	687,334	(13,434)	-	11,635
Burbank	0.93%	0.91%	743,873	729,613	(14,260)	-	4,826
Calleguas MWD	6.27%	6.16%	5,017,268	4,927,858	(89,410)	-	105,485
Central Basin MWD	4.15%	4.13%	3,316,888	3,306,239	(10,649)	-	(459,059)
Compton	0.26%	0.26%	211,044	206,999	(4,046)	-	3,668
Eastern MWD	3.87%	3.50%	3,095,341	2,801,380	(293,962)	-	(440,641)
Foothill MWD	0.57%	0.60%	456,396	483,547	-	27,151	47,379
Fullerton	0.49%	0.48%	391,282	383,781	(7,501)	-	(25,165)
Glendale	1.79%	1.75%	1,430,399	1,402,978	(27,421)	-	19,047
Inland Empire Utilities Agency	2.89%	2.87%	2,311,480	2,298,094	(13,387)	-	(74,060)
Las Virgenes MWD	1.30%	1.28%	1,043,178	1,023,180	(19,998)	-	15,579
Long Beach	2.34%	2.45%	1,871,535	1,961,152	-	89,617	(91,940)
Los Angeles	11.02%	12.07%	8,815,886	9,653,005	-	837,119	925,075
Municipal Water District of Orange County	13.69%	13.81%	10,954,597	11,048,517	-	93,921	606,396
Pasadena	0.99%	1.05%	794,909	840,936	-	46,027	(68,384)
San Diego County Water Authority	27.29%	26.77%	21,834,500	21,416,557	(417,943)	-	326,699
San Fernando	0.00%	0.00%	2,931	3,943	-	1,011	(3,738)
San Marino	0.08%	0.08%	61,542	60,362	(1,180)	-	1,079
Santa Ana	0.61%	0.75%	490,889	603,044	-	112,156	67,127
Santa Monica	0.60%	0.59%	481,237	472,011	(9,225)	-	(14,926)
Three Valleys MWD	4.16%	4.08%	3,326,750	3,262,976	(63,775)	-	39,855
Torrance	1.41%	1.38%	1,128,252	1,106,623	(21,629)	-	17,665
Upper San Gabriel Valley MWD	0.60%	0.59%	483,221	473,957	(9,263)	-	6,734
West Basin MWD	9.68%	9.51%	7,745,243	7,607,046	(138,198)	-	(1,072,844)
Western MWD	2.98%	2.93%	2,387,799	2,342,024	(45,775)	-	25,088
MWD Total	100.00%	100.00%	\$ 80,000,000	\$ 80,000,000	\$ (1,207,002)	\$ 1,207,002	\$ (0)

Attachment 2 Capacity Charge Allocation Revisions						
AGENCY	Current Calendar Year 2004 Capacity Charge		Revised Calendar Year 2004 Capacity Charge		Difference CY2004 Capacity Charge	
	3-Year Max-Day Demand (cfs) (May- September)	Calendar Year 2004 Capacity Charge (\$6,100/cfs)	3-Year Max-Day Demand (cfs) (May- September)	Calendar Year 2004 Capacity Charge (\$6,100/cfs)	Difference (cfs)	Difference (\$)
Anaheim	76.0	\$ 463,600	76.0	\$ 463,600	0.0	\$ -
Beverly Hills	35.0	213,500	35.0	213,500	0.0	-
Burbank	51.8	315,980	51.8	315,980	0.0	-
Calleguas	258.5	1,576,850	258.5	1,576,850	0.0	-
Central Basin	137.4	838,140	128.6	784,460	-8.8	(53,680)
Compton	10.5	64,050	10.5	64,050	0.0	-
Eastern	366.8	2,237,480	220.3	1,343,830	-146.5	(893,650)
Foothill	23.8	145,180	23.8	145,180	0.0	-
Fullerton	27.6	168,360	27.6	168,360	0.0	-
Glendale	60.8	370,880	60.8	370,880	0.0	-
Inland Empire	171.8	1,047,980	171.8	1,047,980	0.0	-
Las Virgenes	46.3	282,430	46.3	282,430	0.0	-
Long Beach	60.6	369,660	60.6	369,660	0.0	-
Los Angeles	704.0	4,294,400	704.0	4,294,400	0.0	-
MWDOC	495.7	3,023,566	495.7	3,023,566	0.0	-
Pasadena	75.5	460,550	75.5	460,550	0.0	-
San Diego	1296.0	7,905,600	1296.0	7,905,600	0.0	-
San Fernando	0.1	610	0.1	610	0.0	-
San Marino	6.8	41,480	6.8	41,480	0.0	-
Santa Ana	39.6	241,560	39.6	241,560	0.0	-
Santa Monica	31.9	194,590	29.0	176,900	-2.9	(17,690)
Three Valleys	203.8	1,243,180	203.8	1,243,180	0.0	-
Torrance	44.4	270,840	44.4	270,840	0.0	-
Upper San Gabriel	72.1	439,810	45.3	276,330	-26.8	(163,480)
West Basin	271.0	1,653,100	271.0	1,653,100	0.0	-
Western	224.6	1,370,060	261.2	1,593,320	36.6	223,260
Total	4,792	\$ 29,233,436	4,644	\$ 28,328,196	(148)	\$ (905,240)