- **Board of Directors**
  Business and Finance Committee

January 8, 2008 Board Meeting

8-1

Subject

Determine water revenue requirements; set a public hearing date; and adopt resolutions giving notice of intention to impose charges for fiscal year 2008/09

Description

SUMMARY

Since 1997, Metropolitan has successfully held increases in its cost of service to well below the rate of inflation. Inflation, as measured by the Los Angeles area Consumer Price Index has risen by 37.7 percent since 1997. Metropolitan did not raise water rates or charges from 1997 through 2003. Beginning in January 2003, Metropolitan has raised average rates between 1.6 percent and 5.8 percent in any given year, averaging about 3.5 percent over the five-year period ending January 1, 2008. The CPI has averaged 3.8 percent over that same time period. Metropolitan has been able to do this while maintaining an aggressive Capital Investment Plan (CIP) through aggressive refinancing of its debt, which has saved over $100 million on a present value basis, maintaining control over its internal operating costs and because sales of water remained steady over this period. In addition, Metropolitan has mitigated water rate increases by using about 40 percent of its available Water Rate Stabilization Reserves to help fund costs. As a result, Metropolitan has not been collecting sufficient revenues to cover its ongoing costs during three of the past four years. Last year when rates were set for 2008, the Board recognized that this approach was not sustainable and directed an update of the Long Range Finance Plan (LRFP) to be prepared and that the budget be developed as rates were set for 2009. In discussions with the member agencies in preparation of the LRFP, it has been determined that Metropolitan will likely need to raise rates approximately 25 to 30 percent by 2011. The rate options presented in this letter are intended to minimize financial risks to Metropolitan while providing alternative approaches to smoothing out the necessary rate increases.

When Metropolitan adopted water rates and charges to be effective in 2008, several issues were raised concerning future costs and rates. At that time, it was recognized that each of these could lead to increases in water rates and charges that would be significantly higher than forecast. These issues included several risks that have been realized:

a. Quagga mussel control program. It was anticipated that this program could cost as much as $10 million per year, beginning in 2008. Current estimates of the cost of controlling this invasive species amount to almost $5 million per year for ongoing operating and maintenance costs, including chemicals and labor costs. Additional capital costs will be required in future years as better ways to manage quagga mussels are determined.

b. Cargill litigation. In 2007, Metropolitan settled this major litigation. About $15 million will be paid in the next 12 months as part of the settlement, with $1.6 million budgeted in 2008/09 and ongoing annual costs of $1 million to $4 million.

c. State Water Project Costs. The Department of Water Resources is incurring higher operating, maintenance, power and replacement (OMP&R) costs. The 2007/08 OMP&R plus capital costs are expected to be about $93 million higher than in 2006/07.

Other risks, including variable energy costs, impacts of the Hyatt-Thermalito litigation, and lower water sales have not been realized this year, but remain significant future risks.

One risk that was not included in any of the base forecasts, is the cost of additional water supplies necessitated by the federal court ruling restricting pumping on the State Water Project. As a result of this ruling, it will be necessary for Metropolitan to acquire additional water transfers to augment supplies from the State Water Project. As discussed in more detail below, these additional costs could add $50 million to $75 million to Metropolitan's costs in 2008/09.

Metropolitan staff has been working with the member agencies to analyze different scenarios and update the LRFP in light of the changing circumstances. As part of that process, staff has presented a number of different scenarios regarding future costs, rates and charges. In summary, costs are expected to increase significantly in 2008/09 primarily due to the following factors:

a. **Higher costs for State Water Project deliveries**. The cost of the State Water Project is estimated to be almost $146 million higher than costs in 2006/07, and about $53 million higher than in 2007/08.

b. **Debt service**. The ongoing financing costs for Metropolitan's $3.2 billion capital program will result in an increase of about $30 million in debt service in 2008/09. A significant portion of the capital program is to improve treatment processes and to upgrade and repair Metropolitan's aging water delivery and treatment system.

c. **Quagga mussel control program**. As noted above, this program will result in ongoing costs of almost $5 million per year.

d. **Cargill litigation settlement**. In 2007/08, payments of about $15 million are anticipated, with ongoing costs of about $1.6 million in 2008/09.

e. **Purchased water cost**. Because of the critically dry conditions and the court-imposed cutback in State Water Project deliveries from the Sacramento-San Joaquin Delta, Metropolitan has lost a substantial portion of its SWP water allocation. Although continued progress has been made on Colorado River supplies, the Colorado River watershed is in its eighth year of drought, and Colorado River surplus supplies will not be made available to Metropolitan in 2008. As a result, there is a high likelihood that Metropolitan will need to acquire additional water transfers in 2008/09 and beyond. As part of the 2008/09 budget and this rate action, it is anticipated that 200,000 acre-feet of water would be purchased at about $250 per acre-foot. In addition, draws on existing agreements and programs will result in higher water supply costs. These additional costs are estimated to be approximately $83 million higher in 2008/09 than in 2007/08, and almost $114 million higher than expenditures on such water supplies in 2006/07.

In order to mitigate impacts on water ratepayers, the 2008/09 operating budget includes minimal increases in the operating budget, despite the increases noted above. The number of full-time equivalent positions has been reduced by 17, and vacancy rates throughout Metropolitan are expected to average about 5 percent. In addition, the line organizations have absorbed contractual increases in salaries and benefits and the additional burden of operating and maintaining a growing and increasingly complex system. The proposed 2008/09 operating and maintenance budget is 2.7 percent greater than the 2007/08 budget, and $3 million lower than the expected 2007/08 actuals.

RATE OPTIONS

Three options have been analyzed and prepared for the Board's review and consideration:

Option 1. Under this option, overall rates and charges would increase by 9.8 percent, and it is anticipated that $191 million of reserves would be utilized during 2008/09 to meet expenditures. Reserve levels are expected to be ending the year significantly below the Board's minimum objectives, and the risk of higher rate increases in future years would be increased. In 2010, rates would be expected to increase by a similar amount, around 9 to 10 percent, followed by a 5 percent increase in 2011.

Option 2. Under this option, base rates and charges would be increased by 9.8 percent, and an additional $25 per acre-foot surcharge would be assessed on all deliveries other than Tier 2 supplies (i.e., Tier 1, agricultural and

replenishment deliveries – if available). The concept behind this option is that one of the main drivers of increased costs is the need to purchase additional water transfers to augment supplies from the State Water Project. These costs, approximately $50 million, would be funded through a surcharge on water deliveries. Tier 2 water rates would not be increased by the surcharge as the Tier 2 rate would already reflect the cost of these additional supplies (about $250 per acre-foot). As future water supplies become more certain, and Metropolitan acquires longer term sources, the surcharge could be eliminated, and costs would be recovered by increases in the Tier 1 and Tier 2 rates. Overall rates and charges could be expected to increase by about 5 percent in 2010, and 5 percent in 2011. This reflects the net increase.

Option 3. In this third option, rates and charges would be increased to recover the full cost of service over a twelve-month period or about 20.2 percent. Reserves would still be used in 2008/09, as rates would not go into effect until January 1, 2009, and would result in increased revenues for only 4 months of the fiscal year. But, this rate scenario would have the added benefit of lower risk that rates would have to be raised in 2010. Current estimates would include minimal rate increases in 2010 and 2011 of 2 to 3 percent, reflecting inflationary impacts.

As shown in Figure 1, rates and charges will ultimately reach the same level by 2011 under all three options.

CAPITAL FINANCING AND RESERVES

In all cases, it is assumed that Metropolitan would continue to fund $95 million of its capital costs from revenues. Staff will continue to evaluate different capital funding mechanisms to minimize draws on the Water Rate Stabilization Fund in the coming year. In order to preserve liquidity, it may be preferable to fund more of the CIP through bonds, with only short-lived and other small capital projects to be funded from revenues. It is currently estimated that approximately $75 million will be spent on such projects in 2007/08 and 2008/09. As a result, Metropolitan could finance the remainder of the capital program and preserve about $105 million of reserves in the Water Rate Stabilization Fund.

Figures 2 to 4 show reserve balances under the three options, given that Metropolitan continues to fund $95 million of its CIP from revenues. Balances under all three options would be about $105 million higher in 2008/09 and beyond if Metropolitan were to fund only that portion of the CIP that could not be funded from bond proceeds. As a result, reserve balances in the Water Rate Stabilization Fund would be at or near the Board's minimum targets in Options 2 and 3, and about $30 million below the target under Option 1.

REVENUE REQUIREMENTS

The revenue requirements for 2008/09 are estimated to be $1.32 billion. As shown in Table 1, this is about $115 million more than the estimated revenue requirements in the current fiscal year.

The forecast for Metropolitan's 2008/09 costs shows an estimated increase of about $106 million compared to projected 2007/08 costs. As shown in Table 1, costs are projected to increase from about $1.39 billion in 2007/08 to about $1.49 billion in 2008/09. Taxes, interest income, power, and miscellaneous income are expected to generate about $176 million, reducing the revenue requirement from rates and charges in 2008/09 to about $1.32 billion.

There are three main drivers causing increasing costs for 2008/09. As previously mentioned, primary cost drivers are the cost of water transfers, capital financing costs, and State Water Project payments. Supply program costs are expected to increase by $82.8 million in 2008/09 because of the anticipated purchase of 200,000 acre-feet of additional water transfers. Capital financing costs to fund the CIP are expected to increase $43.2 million as debt service increases for outstanding bonds, and additional bonds are issued to fund the ongoing CIP. In addition, payments for the State Water Project are expected to increase by $53.1 million due to the higher OMP&R and capital costs as discussed in more detail below.

Table 1. Revenue Requirements for FY 2008/09 compared to prior year costs

	$ Millions			2008/09 Change from:	
	2006/07 Actuals	2007/08 Estimate	2008/09 Test Year	2006/07	2007/08
Departmental & Other O&M (w/o Variable Treatment)	$ 274.5	$ 312.7	$ 308.1	$ 33.6	$ (4.6)
Chemicals, Sludge & Power for Treatment	35.9	33.4	35.0	(0.9)	1.6
State Water Project (without Power)	207.4	300.3	353.3	145.9	53.1
SWP Power	162.8	178.7	135.3	(27.5)	(43.4)
CRA Power	21.5	22.4	45.9	24.4	23.5
Supply Programs paid from O&M	25.5	56.5	139.4	113.9	82.8
Demand Management	36.5	44.2	53.7	17.1	9.5
Capital Program Financing	353.5	364.5	407.7	54.2	43.2
Change in Required Reserves	41.8	77.1	17.4	(24.4)	(59.7)
Sub-total expenditures	**1,159.3**	**1,389.8**	**1,495.8**	**336.5**	**106.0**
Revenue Offsets	185.9	184.6	175.6	(10.2)	(9.0)
Total Revenue Requirement	**$ 973.4**	**$ 1,205.1**	**$ 1,320.2**	**$ 346.7**	**$ 115.1**

totals may not foot due to rounding

A more detailed description of the major assumptions and cost drivers follows.

MAJOR ASSUMPTIONS - REVENUE REQUIREMENTS FOR FY 2008/09

Water Sales **2.23 million acre-feet**

Cash year water sales (including Tier 1, Tier 2, replenishment, agricultural, and wheeling) are projected to be about 2.23 million acre-feet in fiscal year 2008/09. This forecast is based on expected demands under average weather conditions. If water sales are less than anticipated, reserve levels will decrease more rapidly. Treated water sales are expected to be about 1.30 million acre-feet or 58 percent of total sales. About 0.19 million acre-feet are expected to be sold at the higher Tier 2 rate, 0.13 million acre-feet will be sold through the Interim Agricultural Water Program. Replenishment sales are expected to be curtailed through 2009.

State Water Project (including SWP power) **$488.6 million**

Total costs for 2008/09 under the State Water Project are estimated to be approximately $488.6 million, including about $135.3 million for power costs, net of projected credits. Costs for OMP&R and capital are expected to be $53.1 million higher than in 2007/08. Power costs for the State Water Project are expected to be $43.4 million lower than in 2007/08, due to lower deliveries into the service area. Cost estimates are based on projected water deliveries of about 1.2 million acre-feet. Supplies delivered through the SWP include contract deliveries, increases and decreases in storage accounts, and the use of water transfers.

Colorado River Power Costs **$45.9 million**

The revenue requirement incorporates costs associated with pumping about 0.8 million acre-feet from the Colorado River in 2008/09. Power from Metropolitan's share of Hoover and Parker, plus energy under the contract with SCE will not be sufficient to move these supplies. It is expected that around $22 million of power from the open market will be procured in 2008/09. Costs for pumping are estimated to be about $45.9 million.

Supply and Storage Programs **$139.4 million**

Total expenditures for water transfer and storage programs are estimated to be about $147.2 million in 2008/09. Colorado River Supply Program expenditures include $17.9 million for the Palo Verde Irrigation District (PVID) Program which is expected to produce 0.11 million acre-feet in 2008/09. Other Colorado River Supply Program expenditures include $9.7 million for the Imperial Irrigation District/Metropolitan Conservation Program, which will produce 0.08 million acre-feet in 2008/09, and $6.1 million for various other supply programs. Supply program costs along the State Water Project total $110.4 million and include: Arvin-Edison Water Storage Program, Kern Delta Program, Semitropic Water Storage Program, and the San Bernardino Valley Transfer Program. Transfer programs to supplement SWP supplies are expected to produce an additional 0.2 million acre-feet of supply in 2008/09. The remaining $3 million will be used to fund ongoing operating costs for programs and projects associated with conjunctive use programs within Metropolitan's service area. Nearly $7.8 million will be withdrawn from the Water Transfer Fund in 2008/09 to cover part of the transfers' cost, which makes the revenue requirement for supply and storage programs $139.4 million.

Demand Management Programs **$53.7 million**

Demand management program payments made to the member agencies in support of local resources development and active conservation efforts are expected to total $53.7 million in 2008/09. This reflects incentive payments, but does not include other costs associated with these programs, including labor, administration, and public information and outreach costs of almost $7.8 million, which are included in O&M estimates. Recycling and groundwater recovery projects supported by Metropolitan are expected to increase annual production by about 16 thousand acre-feet over current year estimates of about 168 thousand acre-feet. Projected expenditures reflect Metropolitan's ongoing commitment to water conservation, local recycling, and groundwater cleanup. These estimates are consistent with efforts to develop local water supplies in cooperation with the member agencies and other local agencies based on the Integrated Resources Plan.

Capital Financing Program **$407.7 million**

Capital Financing Program costs include $255.2 million of water revenue bond debt service payments on approximately $4.2 billion of outstanding Water Revenue Bond debt as of December 31, 2007, as well as additional financing costs for the CIP in 2008/09 (an increase of approximately $31.7 million above 2007/08 projected payments) mainly due to increased debt service payments from the issuance of water revenue bonds in 2006/07 and 2008/09 to finance the ongoing CIP.

Additional capital financing costs include $49.3 million of general obligation bond debt service which are paid by ad valorem property taxes, $8.1 million for debt administration expenses for remarketing broker-dealer and administrative costs associated with Metropolitan's variable rate debt program and State Revolving Loan payments, and $95 million in expenditures for replacement and refurbishments. As noted above, it may be appropriate to fund a larger portion of the capital program from bond proceeds, reducing the amount funded from revenues in 2008/09 to about $25 million.

Operations and Maintenance **$343.1 million**

The revenue requirement includes $343.1 million for operations and maintenance, including labor, professional services, chemicals, power, and solids handling. This estimate is $4.6 million or 1.6 percent lower than projected 2007/08 costs. A detailed breakdown of departmental budgets is provided in the 2008/09 Budget.

Adjustments in Reserves **$17.4 million**

Required reserve balances are estimated to increase by $17.4 million from June 30, 2008 to June 30, 2009 in accordance with board policies contained in Metropolitan's Administrative Code for the State Water Contract Fund, and Revenue Remainder Fund, and in accordance with bond covenants for the Operations and Maintenance Fund, and Revenue Bond Reserve Funds.

Other Revenues **$175.6 million**

To determine the rates and charges revenue requirement, the total estimated obligations of $1.49 billion are reduced by revenue from ad valorem property taxes, interest income, hydropower revenues, CRA power sales and miscellaneous revenues. Ad valorem property taxes levied at the current tax rate of 0.0047 percent of assessed valuations are estimated to be $94.4 million. Annexation charges are expected to provide $2.5 million. Power recoveries, interest on investments and miscellaneous revenue are expected to produce $78.7 million in 2008/09. Based on the projected expenditure estimates described above, total revenues required from rates and charges in 2008/09 are projected to be $1.32 billion.

RECOMMENDED RATES AND CHARGES FOR FY 2008/09

Metropolitan Water District Administrative Code Section 4304 requires the General Manager to present recommendations for water rates and charges for the next calendar year based on the Business and Finance Committee's determination of revenue requirements, and for the Business and Finance Committee to set a time for a hearing at which interested parties may present input on the recommended rates to the Committee. The cost-of-service analysis supporting the recommended rates and charges is detailed in **Attachment 1**, "Metropolitan Water

District of Southern California, Fiscal Year 2008/09 Cost of Service", and is consistent with the cost-of-service process used since the Board adopted the current rate structure in 2002.

The General Manager's recommended alternatives for water rates and charges for the coming fiscal year are shown in Table 2, "Recommended Alternative Rates and Charges." Under Option 1, the overall increase in the effective rate is estimated to be 9.8 percent. However, this rate increase is not sufficient to recover the revenue requirements in 2008/09. As a result reserves are expected to decrease to $57 million. Revenue bond coverage is estimated to be 1.3 times, while fixed charge coverage will be approximately one times in 2008/09. The rates and charges for 2008/09 were determined based on a total revenue requirement of $1.32 billion. The existing rates, which are effective through December 31, 2008, and the rates under the 9.8 percent option, which are effective January 1, 2009, would generate combined revenue of $1.132 billion. This assumes total sales of 2.23 million acre-feet. Given the rates and sales assumptions it is estimated that about $191.3 million would be withdrawn from the reserves and Water Stewardship Fund to meet obligations during 2008/09.

Table 2. Recommended Alternative Rates and Charges

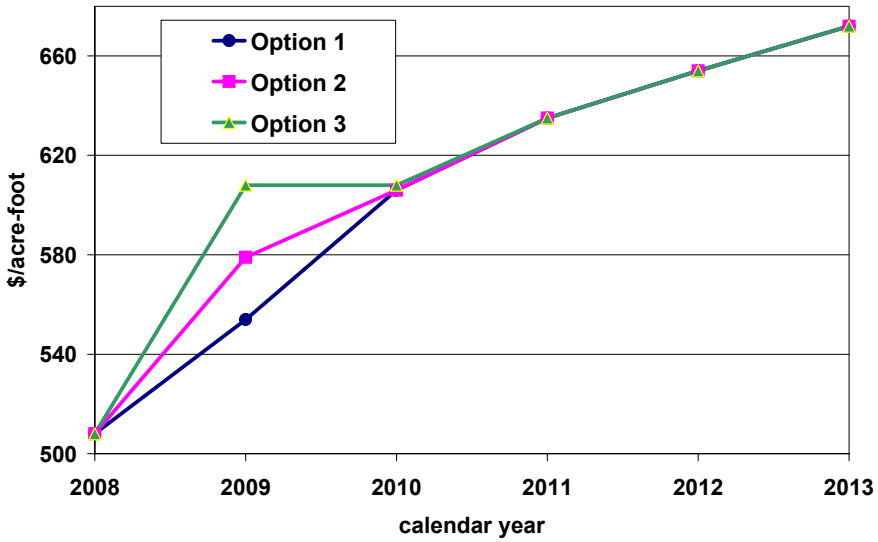
	Effective January 1, 2008	Option 1 January 1, 2009	Option 2 January 1, 2009	Option 3 January 1, 2009
Tier 1 Supply Rate ($/AF)	$73	$109	$134	$128
Tier 2 Supply Rate ($/AF)	$171	$250	$250	$250
			$25	-
System Access Rate ($/AF)	$143	$143	$143	$155
Water Stewardship Rate ($/AF)	$25	$25	$25	$32
System Power Rate ($/AF)	$110	$110	$110	$116
Full Service Untreated Volumetric Cost ($/AF)				
Tier 1	$351	$387	$412	$431
Tier 2	$449	$528	$528	$553
Replenishment Water Rate Untreated ($/AF)	$258	$294	$319 *	$338
Interim Agricultural Water Program Untreated ($/AF)	$261	$297	$322 *	$341
Treatment Surcharge ($/AF)	$157	$167	$167	$177
Full Service Treated Volumetric Cost ($/AF)				
Tier 1	$508	$554	$579	$608
Tier 2	$606	$695	$695	$730
Treated Replenishment Water Rate ($/AF)	$390	$436	$461 *	$490
Treated Interim Agricultural Water Program ($/AF)	$394	$440	$465 *	$494
Readiness-to-Serve Charge ($M)	$82	$92	$92	$100
Capacity Charge ($/cfs)	$6,800	$6,800	$6,800	$6,800

* Includes $25 Water Supply Surcharge

The detailed cost-of-service discussion and support for rates and charges are included in **Attachment 1** – Fiscal Year 2008/09 Cost-of-Service.

Figure 1 below shows the five-year projection of rates for the three options.

Figure 1. Projected Full Service Treated Tier 1 Rates



Figures 2 through 4 show the projected reserve levels under the three options. Reserve fund balances include the Revenue Remainder Fund, the Water Stabilization Fund, and the Water Stewardship Fund.

Figure 2. Option 1 – Reserve Fund Balances

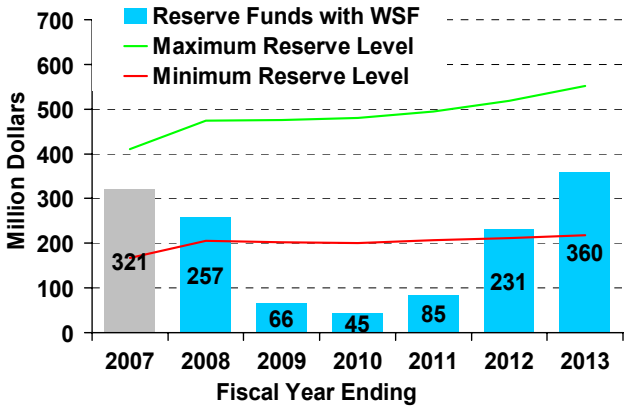


Figure 3. Option 2 – Reserve Fund Balances

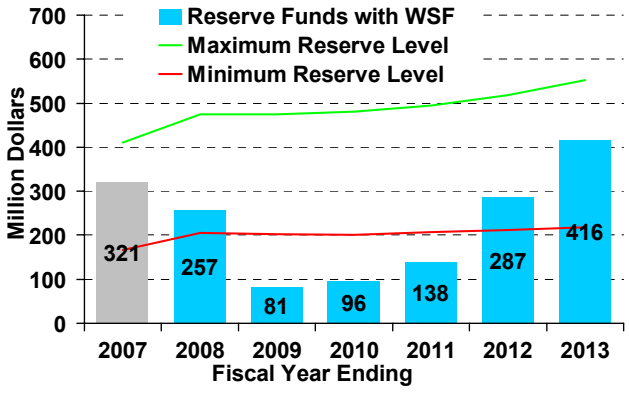
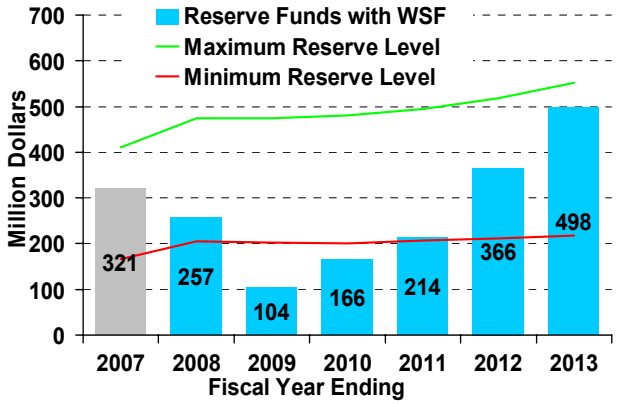


Figure 4. Option 3 – Reserve Fund Balances



SUMMARY AND RECOMMENDATIONS

This letter requests that the Board determine water revenue requirements, set a time for a public hearing of the Business and Finance Committee at which interested parties may present their views regarding the General Manager's recommendations for rates and charges, and that the Board adopt resolutions of Metropolitan's intention to: (1) impose the Readiness-to-Serve Charge (including the Water Standby Charge) for 2008/09; and (2) impose the Capacity Charge for 2009.

Policy

Metropolitan Water District Administrative Code Section 4304: Apportionment of Revenues and Setting of Water Rates and Charges to Raise Firm Revenues

California Environmental Quality Act (CEQA)

CEQA determination for Options #1, #2, and #3:

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

Option #1

Adopt the CEQA determination and

a. Determine that revenues required from rates and charges during FY 2008/09 should not be less than $1.32 billion, and use this determination in establishing water rates and charges to be effective January 1, 2009;
b. Set a time for a public hearing of the Business and Finance Committee at which interested parties may present their views regarding the General Manager's recommendation for rates and charges to be effective January 1, 2009; and
c. Adopt the following resolutions:
    1. Resolution of intention to impose the Readiness-to-Serve Charge in the form shown as **Attachment 2** to this letter, declaring the Board's intention (i) at its March 11, 2008 meeting to consider and act upon the General Manager's recommendation to impose a Readiness-to-Serve

Charge and (ii) at its May 13, 2008 meeting to consider and act upon the General Manager's recommendation to impose standby charges within the service territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS Charge.

2. Resolution of intention to impose a Capacity Charge in the form shown as **Attachment 3** to this letter, declaring the Board's intention at its March 11, 2008 meeting to consider and act upon the General Manager's recommendation to impose a Capacity Charge.

Fiscal Impact: Revenues from rates and charges of $1.132 billion in 2008/09, and an increase in the effective rate of 9.8 percent if the rates and charges are adopted as recommended.

Option #2

Adopt the CEQA determination and

a. Determine that revenues required from rates and charges during FY 2008/09 should not be less than $1.32 billion, and use this determination in establishing water rates and charges to be effective January 1, 2009;
b. Set a time for a public hearing of the Business and Finance Committee at which interested parties may present their views regarding the General Manager's recommendation for rates and charges to be effective January 1, 2009; and
c. Adopt the following resolutions:
    1. Resolution of intention to impose the Readiness-to-Serve Charge in the form shown as **Attachment 2** to this letter, declaring the Board's intention (i) at its March 11, 2008 meeting to consider and act upon the General Manager's recommendation to impose a Readiness-to-Serve Charge and (ii) at its May 13, 2008 meeting to consider and act upon the General Manager's recommendation to impose standby charges within the service territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS Charge.
    2. Resolution of intention to impose a Capacity Charge in the form shown as **Attachment 3** to this letter, declaring the Board's intention at its March 11, 2008 meeting to consider and act upon the General Manager's recommendation to impose a Capacity Charge.

Fiscal Impact: Revenues from rates and charges of $1.147 billion in 2008/09, and an increase in the effective rate of 9.8 percent plus a $25 per acre-foot surcharge if the rates and charges are adopted as recommended.

Option #3

Adopt the CEQA determination and

a. Determine that revenues required from rates and charges during FY 2008/09 should not be less than $1.32 billion, and use this determination in establishing water rates and charges to be effective January 1, 2009;
b. Set a time for a public hearing of the Business and Finance Committee at which interested parties may present their views regarding the General Manager's recommendation for rates and charges to be effective January 1, 2009; and
c. Adopt the following resolutions:
    1. Resolution of intention to impose the Readiness-to-Serve Charge in the form shown as **Attachment 2** to this letter, declaring the Board's intention (i) at its March 11, 2008 meeting to consider and act upon the General Manager's recommendation to impose a Readiness-to-Serve Charge and (ii) at its May 13, 2008 meeting to consider and act upon the General Manager's recommendation to impose standby charges within the service territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS Charge.
    2. Resolution of intention to impose a Capacity Charge in the form shown as **Attachment 3** to this letter, declaring the Board's intention at its March 11, 2008 meeting to consider and act upon the General Manager's recommendation to impose a Capacity Charge.

Fiscal Impact: Revenues from rates and charges of $1.170 billion in 2008/09, and an increase in the effective rate of 20.2 percent if the rates and charges are adopted as recommended.

Staff Recommendation

Option #2

12/27/2007
Brian G. Thomas *Date*
Chief Financial Officer

12/27/2007
Jeffrey Kightlinger *Date*
General Manager

Attachment 1 – Metropolitan Water District of Southern California, FY 2008/09 Cost of Service

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

Attachment 3 – Resolution of Intent (Capacity Charge)

BLA #5704

Metropolitan Water District of Southern California

Fiscal Year 2008/09 Cost of Service

December 1, 2007

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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, funding of replacement and refurbishment from operating revenues, 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.

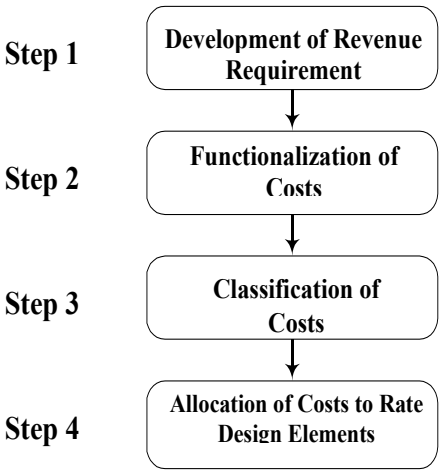
Step 3 - Classification of Costs

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 dollar 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 Charge) 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 2008/09. Throughout the report, FY 2008/09 is used as the "test year" to demonstrate the application of the cost of service process. Schedule 1 summarizes the FY 2008/09 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 $1.496 billion in FY 2008/09.

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 $78.7 million in FY 2008/09. It is expected that Metropolitan will also generate about $94.4 million in ad valorem property tax revenues and annexation charges. Property tax revenues are used to pay for a portion of Metropolitan's general obligation bond debt service, and a portion of Metropolitan's obligation to pay for debt service on bonds issued to fund the State Water Project. The total revenue offsets for FY 2008/09 are estimated to be $175.6 million. Therefore, the revenue required from rates and charges is the difference between the total costs and the revenue offsets, or $1.320 billion. Approximately $191.3 million from the Water Rate Stabilization and Water Stewardship Funds will be used to fund a portion of Metropolitan's expenditures during 2008/09. Given an effective date of January 1, 2009, the rates and charges recommended in this report, combined with rates and charges effective through December 31, 2008, will generate a total of $1.132 billion in 2008/09.

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, State Water Project, 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 70 percent of the absolute value of the allocated costs. The largest component of the revenue requirement relates to SWP expenditures, which make up approximately 29.2 percent of Metropolitan's FY 2008/09 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. Metropolitan's capital financing program is the second largest component of the revenue requirement, constituting approximately 24.4 percent of the revenue requirement. Departmental O&M costs make up 19.5 percent of the total revenue requirement in FY 2008/09. Water System Operations is the largest single component of the Departmental Costs and accounts for 11.4 percent of the revenue requirements. Water System Operations responsibilities include operating and maintaining Metropolitan's pumping, storage, treatment, and hydroelectric facilities, as well as the Colorado River Aqueduct and other conveyance and supply facilities.

Schedule 1. Revenue Requirements (by budget line item)

	Fiscal Year Ending 2009	% of Revenue Requirements (1)
Departmental Operations & Maintenance		
Office of the General Manager & Human Resources	$ 15,034,000	0.9%
External Affairs	20,537,000	1.2%
Water Systems Operations	190,165,000	11.4%
Chief Financial Officer	5,956,100	0.4%
Corporate Resources	57,281,800	3.4%
Real Property Development & Mgmt	7,304,500	0.4%
Water Resource Management	19,086,000	1.1%
Ethics Department	457,600	0.0%
General Counsel	7,723,200	0.5%
Audit Department	2,137,200	0.1%
Total	**325,682,400**	**19.5%**
General District Requirements		
State Water Project	488,599,328	29.2%
Colorado River Aqueduct	45,908,754	2.7%
Supply Program Costs paid from operating revenues	139,386,012	8.3%
Water Management Programs	53,674,616	3.2%
Capital Financing Program	407,702,480	24.4%
Other O&M	17,445,300	1.0%
Increase (Decrease) in Required Reserves	17,400,000	1.0%
Total	**1,170,116,489**	**70.0%**
Revenue Offsets	**(175,619,126)**	**10.5%**
Net Revenue Requirements	**$ 1,320,179,763**	**100.0%**

(1) Given as a percentage of the absolute values of total dollars allocated.
totals may not foot due to rounding

1.3 Service Function Costs

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

The functional categories developed for Metropolitan's cost of service process are consistent with the American Water Works Association 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 reflects 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 programs included in the California 4.4 Plan to increase diversions from the Colorado River. 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, and the Arvin-Edison Water Storage Program. Costs for groundwater conjunctive use programs within Metropolitan's service area, such as the North Las Posas Groundwater Basin Conjunctive Use Agreement are also included.
- *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 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 are 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 capital financing, operating, maintenance, and overhaul 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, recycling, and desalination.
- *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 allocates A&G costs to the service functions based on the labor costs 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-Progress or Net Book Value plus Work-In-Progress
- Prorating 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 2009	% of Allocated Dollars
Direct Assignment	$ 956,999,308	57.3%
Work in Progress/Net Book Value	444,320,680	26.6%
Prorating	104,263,016	6.2%
Manager Analysis	26,449,000	1.6%
Other	$ 139,386,012	8.3%
Total Dollars Allocated	**$ 1,671,418,015**	**100.0%**
Portion of Above Allocations Relating to:		
Revenue Requirements before Offsets	1,495,798,889	
Revenue Offsets	175,619,126	
Total Dollars Allocated	**$ 1,671,418,015**	

totals may not foot due to rounding

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) 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

Capital financing costs, including debt service and funding replacements and refurbishments from operating revenues, comprise about 34 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 2009	% of Total NBV
Source of Supply	$ 63,724,419	1.0%
Conveyance & Aqueduct	1,167,861,420	17.6%
Storage	2,054,793,299	31.0%
Treatment	2,016,612,339	30.4%
Distribution	1,018,338,117	15.3%
Administrative & General	219,052,690	3.3%
Hydroelectric	97,578,016	1.5%
Total Fixed Assets Net Book Value	**$ 6,637,960,301**	**100.0%**

totals may not foot due to rounding

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.*
* Annual deposit of operating revenue to replacement and refurbishment fund: *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) Prorating 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 prorata blend of allocation results calculated for other revenue requirements in the same departmental group, or general category. Reasonable prorata allocations are based on a logical nexus between a cost and the purpose which it serves. For example: 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. An example of revenue requirements allocated based on manager analyses is: Water System Operations Group: Operations Planning Unit.

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 2008/09 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 38.6 percent of the allocated revenue requirement.

Schedule 4. Revenue Requirement (by service function)

Functional Categories	Fiscal Year Ending 2009	% of Allocated Dollars (1)
Source of Supply		
CRA	$ 38,055,420	2.8%
SWP	168,601,645	12.5%
Other Supply	15,126,572	1.1%
Total	**221,783,637**	**16.4%**
Conveyance & Aqueduct		
CRA		
CRA Power (net of sales)	40,231,961	3.0%
CRA All Other	38,695,565	2.9%
SWP		
SWP Power	218,855,305	16.2%
SWP All Other	170,661,435	12.6%
Other Conveyance & Aqueduct	53,721,618	4.0%
Total	**522,165,885**	**38.6%**
Storage		
Storage Costs Other Than Power		
Emergency	62,726,008	4.6%
Drought	52,261,209	3.9%
Regulatory	12,497,944	0.9%
Wadsworth plant pumping/generation	(1,024,992)	0.1%
Total	**126,460,169**	**9.5%**
Treatment		
Jensen	44,861,877	3.3%
Weymouth	37,658,456	2.8%
Diemer	41,759,308	3.1%
Mills	35,171,868	2.6%
Skinner	58,248,130	4.3%
Total	**217,699,639**	**16.1%**
Distribution	114,951,545	8.5%
Demand Management	65,171,025	4.8%
Administrative & General	(15,267,879)	1.1%
Hydroelectric	67,215,742	5.0%
Total Functional Allocations:	**$ 1,320,179,763**	**100.0%**

(1) Given as a percentage of the absolute values of total dollars allocated.
totals may not foot due to rounding

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

	Source of Supply	Conveyance & Aqueduct	Storage	Treatment	Distribution	Demand Management	Hydro Electric	Administrative & General	Total $ Allocated
Departmental Operations & Maintenance									
Office of the General Manager & Human Resources	$ 1,136,931	$ 1,390,583	$ 718,638	$ 3,361,123	$ 2,376,529	$ 338,591	$ 168,828	$ 5,542,777	$ 15,034,000
External Affairs	-	-	-	-	-	6,360,210	-	14,176,790	20,537,000
Water Systems Operations	11,719,877	27,370,902	3,436,923	93,589,648	49,240,489	8,155	3,397,732	1,401,274	190,165,000
Chief Financial Officer	-	-	-	-	-	-	-	5,956,100	5,956,100
Corporate Resources	2,252,942	6,230,373	7,846,561	12,488,992	7,531,244	610,448	615,472	19,705,769	57,281,800
Real Property Development & Mgmt	-	-	7,304,500	-	-	-	-	-	7,304,500
Water Resource Management	12,033,807	13,846	-	192,126	1,454,920	5,184,241	-	207,060	19,086,000
Ethics Department	-	-	-	-	-	-	-	457,600	457,600
General Counsel	-	-	-	-	-	-	-	7,723,200	7,723,200
Audit Department	-	-	-	-	-	-	-	2,137,200	2,137,200
Total Departmental O&M	27,143,557	35,005,704	19,306,622	109,631,889	60,603,181	12,501,645	4,182,032	57,307,768	325,682,400
General District Requirements									
State Water Project	54,260,634	434,338,694	-	-	-	-	-	-	488,599,328
Colorado River Aqueduct	-	45,908,754	-	-	-	-	-	-	45,908,754
Water Transfers and Storage Programs	139,386,012	-	-	-	-	-	-	-	139,386,012
Demand Management	-	-	-	-	-	53,674,616	-	-	53,674,616
Capital Financing Program	3,440,182	63,047,358	110,928,647	123,860,013	89,332,873	-	5,267,779	11,825,627	407,702,480
Other Operating Costs	1,345,398	3,144,144	720,123	3,446,420	2,368,294	353,091	167,744	5,900,087	17,445,300
Increase (Decrease) in Required Reserves	1,739,488	10,029,198	412,554	2,342,672	1,295,001	267,142	89,364	1,224,583	17,400,000
Total General District Requirements	200,171,713	556,468,147	112,061,324	129,649,105	92,996,168	54,294,848	5,524,887	18,950,297	1,170,116,489
Revenue Offsets	(5,531,634)	(69,307,967)	(4,907,777)	(21,581,355)	(38,647,804)	(1,625,468)	(24,974,798)	(9,042,323)	(175,619,126)
Net Revenue Requirements	**$ 221,783,637**	**$ 522,165,885**	**$ 126,460,169**	**$ 217,699,639**	**$ 114,951,545**	**$ 65,171,025**	**$ (15,267,879)**	**$ 67,215,742**	**$ 1,320,179,763**

totals may not foot due to rounding

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 ten years ending June 2008 was used to determine that 67 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 33 percent of available capacity is used to meet peak monthly deliveries to the member agencies, while 2 percent is used for standby. 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 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 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, in the same manner as Metropolitan's supply costs. 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.

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

Distribution service function costs were classified using daily flow data for the three calendar years ending December 2006. During this period, the average annual volume of deliveries to the member agencies used 52 percent of the peak distribution capacity. The difference between the average flow and system capacity, or 48 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 distribution capacity was limited to the peak non-coincident[2] 24-hour daily flow of all the member agencies.

As presented in Schedule 6, treatment service function costs were also classified using daily flow data of deliveries to the member agencies for the ten years ending December 2008. Total treated water capacity of 4,204 cfs, the total design capacity of all the treatment plants, was used in the calculation. 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 day flow for each agency may or may not coincide with the peak day system flow. 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., the distribution system is designed to meet peak demands in different load areas within the System that have non-coincident demands due to each member agencies unique operating characteristics).

Schedule 6. Classification Percentages

Function	Classification Percentages			Total % Classified	Comments
	Fixed				
	Commodity	Demand	Standby		
Source of Supply					
Colorado River Aqueduct	100%	0%	0%	100%	Supply costs classified as commodity
State Water Project	100%	0%	0%	100%	Supply costs classified as commodity
Conveyance & Aqueduct					
Colorado River Aqueduct	67%	33%	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 (expected growth). SWP and CRA are treated the same due to application of system wide uniform price.
State Water Project	67%	33%	0%	100%	
Other	67%	33%	0%	100%	
Storage					
Emergency	0%	0%	100%	100%	Standby service (recovered by RTS)
Drought	100%	0%	0%	100%	Recovered by Supply Contract
Regulatory	52%	48%	0%	100%	See distribution (below)
Treatment	45%	55%	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 percentage 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	52%	48%	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.

totals may not foot due to rounding

A summary of cost classification results is shown in Schedule 7. The classification of the service function costs results in about 9 percent, or $118.5 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)

Functional Categories (by sub-Fuction)	Fixed Demand	Commodity	Standby	Variable Commodity	Hydroelectric	Total Classified
Source of Supply						
CRA	$ -	$ 40,886,957	$ -	$ -	$ -	$ 40,886,957
SWP	-	181,146,552	-	-	-	181,146,552
Other Supply	-	16,252,074	-	-	-	16,252,074
Subtotal: Source of Supply	-	238,285,582	-	-	-	**238,285,582**
Conveyance & Aqueduct						
CRA						
CRA Power	-	5,368,697	-	35,549,432	-	40,918,129
CRA All Other	3,144,534	38,243,055	-	-	-	41,387,589
SWP						
SWP Power	-	986,994	-	219,881,114	-	220,868,107
SWP All Other	15,969,693	166,439,491	-	-	-	182,409,184
Other Conveyance & Aqueduct	15,606,762	41,183,226	-	-	-	56,789,988
Subtotal: Conveyance & Aqueduct	34,720,988	252,221,463	-	255,430,545	-	**542,372,997**
Storage						
Storage Costs Other Than Power						
Emergency	-	-	65,306,482	-	-	65,306,482
Drought	-	56,149,735	-	-	-	56,149,735
Regulatory	5,304,274	7,807,909	-	-	-	13,112,184
Storage Power	-	-	-	(1,034,137)	-	(1,034,137)
Subtotal: Storage	5,304,274	63,957,644	65,306,482	(1,034,137)	-	**133,534,263**
Water Quality						
CRA	-	-	-	-	-	-
SWP	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal: Water Quality	-	-	-	-	-	**-**
Treatment	51,282,479	137,726,047	-	39,287,249	-	**228,295,775**
Distribution	27,175,863	94,711,380	-	-	-	**121,887,243**
Demand Management	-	70,020,115	-	-	-	**70,020,115**
Hydroelectric	-	-	-	-	(14,216,213)	**(14,216,213)**
Total Costs Classified	**$ 118,483,605**	**$ 856,922,232**	**$ 65,306,482**	**$ 293,683,657**	**$ (14,216,213)**	**$ 1,320,179,763**

totals may not foot due to rounding

About 64.5 percent of the revenue requirement ($857 million) is 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 costs classified to the "Standby" category total about $65 million and account for 4.9 percent of the revenue requirements. Standby service costs are commonly recovered by a fixed charge allocated on a reasonable representation of a customer's need for standby service. The variable commodity costs for power on the conveyance and aqueduct systems, and power, chemicals and solids handling at the treatment plants change with the amount of water delivered to the member agencies. These costs are classified as variable commodity costs, total about $294 million, and account for about 22.2 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, 2009. Average costs by member agency will vary depending upon an agency's RTS allocation, capacity charge and relative proportions of treated and untreated Tier 1, Tier 2, Replenishment, and Interim Agricultural Water Program purchases.

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

Service Function by Classification Category	Rate Design Elements							
	Supply Rates	System Access Rate	Water Stewardship Rate	System Power Rate	Capacity Charge	Readiness-to-Serve Charge	Treatment Surcharge	Total Costs Allocated
Supply								
Fixed Demand	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fixed Commodity	238,285,582	-	-	-	-	-	-	238,285,582
Fixed Standby	-	-	-	-	-	-	-	-
Variable Commodity	-	-	-	-	-	-	-	-
Hydroelectric	-	-	-	-	-	-	-	-
Subtotal: Supply	238,285,582	-	-	-	-	-	-	238,285,582
Conveyance and Aqueduct								
Fixed Demand	-	-	-	-	-	34,720,988	-	34,720,988
Fixed Commodity	-	252,221,463	-	-	-	-	-	252,221,463
Fixed Standby	-	-	-	-	-	-	-	-
Variable Commodity	-	-	-	255,430,545	-	-	-	255,430,545
Hydroelectric	-	-	-	-	-	-	-	-
Subtotal: Conveyance and Aqueduct	-	252,221,463	-	255,430,545	-	34,720,988	-	542,372,997
Storage								
Fixed Demand	-	-	-	-	5,304,274	-	-	5,304,274
Fixed Commodity	56,149,735	7,807,909	-	-	-	-	-	63,957,644
Fixed Standby	-	-	-	-	-	65,306,482	-	65,306,482
Variable Commodity	(1,034,137)	-	-	-	-	-	-	(1,034,137)
Hydroelectric	-	-	-	-	-	-	-	-
Subtotal: Storage	55,115,598	7,807,909	-	-	5,304,274	65,306,482	-	133,534,263
Water Quality								
Fixed Demand	-	-	-	-	-	-	-	-
Fixed Commodity	-	-	-	-	-	-	-	-
Fixed Standby	-	-	-	-	-	-	-	-
Variable Commodity	-	-	-	-	-	-	-	-
Hydroelectric	-	-	-	-	-	-	-	-
Subtotal: Water Quality	-	-	-	-	-	-	-	-
Treatment								
Fixed Demand	-	-	-	-	-	-	51,282,479	51,282,479
Fixed Commodity	-	-	-	-	-	-	137,726,047	137,726,047
Fixed Standby	-	-	-	-	-	-	-	-
Variable Commodity	-	-	-	-	-	-	39,287,249	39,287,249
Hydroelectric	-	-	-	-	-	-	-	-
Subtotal: Treatment	-	-	-	-	-	-	228,295,775	228,295,775
Distribution								
Fixed Demand	-	-	-	-	27,175,863	-	-	27,175,863
Fixed Commodity	-	94,711,380	-	-	-	-	-	94,711,380
Fixed Standby	-	-	-	-	-	-	-	-
Variable Commodity	-	-	-	-	-	-	-	-
Hydroelectric	-	(14,216,213)	-	-	-	-	-	(14,216,213)
Subtotal: Distribution	-	80,495,167	-	-	27,175,863	-	-	107,671,030
Demand Management								
Fixed Demand	-	-	-	-	-	-	-	-
Fixed Commodity	-	-	70,020,115	-	-	-	-	70,020,115
Fixed Standby	-	-	-	-	-	-	-	-
Variable Commodity	-	-	-	-	-	-	-	-
Hydroelectric	-	-	-	-	-	-	-	-
Subtotal: Demand Management	-	-	70,020,115	-	-	-	-	70,020,115
Total								
Fixed Demand	-	-	-	-	32,480,137	34,720,988	51,282,479	118,483,605
Fixed Commodity	294,435,318	354,740,752	70,020,115	-	-	-	137,726,047	856,922,232
Fixed Standby	-	-	-	-	-	65,306,482	-	65,306,482
Variable Commodity	(1,034,137)	-	-	255,430,545	-	-	39,287,249	293,683,657
Hydroelectric	-	(14,216,213)	-	-	-	-	-	(14,216,213)
Total	**$ 293,401,181**	**$ 340,524,540**	**$ 70,020,115**	**$ 255,430,545**	**$ 32,480,137**	**$ 100,027,470**	**$ 228,295,775**	**$ 1,320,179,763**

totals may not foot due to rounding

Schedule 9. Rates and Charges Summary

	Effective January 1, 2008	Option 1 January 1, 2009
Tier 1 Supply Rate ($/AF)	$73	$109
Tier 2 Supply Rate ($/AF)	$171	$250
System Access Rate ($/AF)	$143	$143
Water Stewardship Rate ($/AF)	$25	$25
System Power Rate ($/AF)	$110	$110
Full Service Untreated Volumetric Cost ($/AF)		
Tier 1	$351	$387
Tier 2	$449	$528
Replenishment Water Rate Untreated ($/AF)	$258	$294
Interim Agricultural Water Program Untreated ($/AF)	$261	$297
Treatment Surcharge ($/AF)	$157	$167
Full Service Treated Volumetric Cost ($/AF)		
Tier 1	$508	$554
Tier 2	$606	$695
Treated Replenishment Water Rate ($/AF)	$390	$436
Treated Interim Agricultural Water Program ($/AF)	$394	$440
Readiness-to-Serve Charge ($M)	$82	$92
Capacity Charge ($/cfs)	$6,800	$6,800

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. It is recommended that the SAR remain at its current level of $143 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 $340 million in FY 2008/09, 25.8 percent of the total revenue requirement.

2.2 Water Stewardship Rate (WSR)

It is recommended that the WSR remain at its current level of $25 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 $70 million in FY 2008/09, about 5.3 percent of the revenue requirement. 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. Given balances in the Water Stewardship Fund, it is recommended that the WSR remain unchanged in 2008, and $15.2 million be withdrawn from the Water Stewardship Fund to offset costs not fully recovered from the WSR.

2.3 System Power Rate (SPR)

The recommended SPR remains at $110 per acre-foot in 2009. 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 2008/09 the revenue requirement for the SPR is estimated to be about $255 million, about 19.3 percent of the total revenue requirement.

2.4 Treatment Surcharge

It is recommended that the treatment surcharge be increased from its current level of $157 per acre-foot to $167 per acre-foot effective January 1, 2009. 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 $228 million in FY 2008/09, almost 17.3 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 capital financing costs allocated to the treatment surcharge. Significant capital improvements at Metropolitan's five treatment plants, such as the Ozone Retrofit Program, Skinner Filtration Plant Expansion Project, and improvement programs at all five treatment plants result in additional capital financing costs being allocated to the treatment surcharge. The increase in the treatment surcharge is also consistent with the board action on rates and charges in March 2005 directing that the 2006 treatment surcharge increase be reduced by $10 per acre-foot, and that any "undercollection" during 2006, be recorded and amortized through the rates over the next

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

three years. This rate increase will not be sufficient to recover the undercollection for the treatment surcharge in 2009.

2.5 Capacity Charge

It is recommended that the Capacity Charge remain unchanged at its current level of $6,800 per cubic-foot-second of capacity used effective January 1, 2009. The capacity charge is levied on the maximum summer day demand placed on the system between May 1 and September 30 for a three-calendar year period. The three-year period ending December 31, 2007 is used to levy the capacity charge effective January 1, 2009 through December 31, 2009. Demands measured for the purposes of billing the capacity charge include all firm demand and agricultural demand, including wheeling service and exchanges. Replenishment service is not included in the measurement of peak day demand for purposes of billing the capacity charge.

The capacity charge is intended to pay for the cost of peaking capacity on Metropolitan's system, while providing 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 will benefit from local supply investments and operational strategies that reduce its peak day demand on the system in the form of a lower total capacity charge. The estimated capacity charge to be paid by each member agency in calendar year 2009 (as of December 2007) is included in Schedule 10.

Schedule 10. Calendar Year 2009 Capacity Charge

	Peak Day Demand (cfs) (May 1 through September 30) Calendar Year				
AGENCY	2005	2006	2007	3-Year Peak	Calendar Year 2009 Capacity Charge ($6,800/cfs)
Anaheim	60.0	36.6	37.9	60.0	$ 408,000
Beverly Hills	31.9	33.2	33.9	33.9	230,520
Burbank	36.1	35.0	33.7	36.1	245,480
Calleguas	263.8	253.5	260.8	263.8	1,793,840
Central Basin	125.9	130.7	125.9	130.7	888,760
Compton	7.7	7.3	7.1	7.7	52,360
Eastern	236.3	248.6	302.1	302.1	2,054,280
Foothill	23.2	25.3	25.4	25.4	172,720
Fullerton	34.2	32.7	36.9	36.9	250,920
Glendale	56.7	57.0	54.6	57.0	387,600
Inland Empire	132.3	113.8	176.2	176.2	1,198,160
Las Virgenes	43.6	44.8	45.3	45.3	308,040
Long Beach	72.9	56.5	61.3	72.9	495,720
Los Angeles	540.4	540.7	768.5	768.5	5,225,800
MWDOC	438.4	463.6	452.4	463.6	3,152,480
Pasadena	58.3	66.9	58.5	66.9	454,920
San Diego [1]	1064.8	1056.9	1177.5	1,296.0	8,812,800
San Fernando		0.1	6.5	6.5	44,200
San Marino	5.9	8.3	5.2	8.3	56,440
Santa Ana	29.9	30.7	29.7	30.7	208,760
Santa Monica	27.1	27.8	27.6	27.8	189,040
Three Valleys	156.5	155.7	171.4	171.4	1,165,520
Torrance	42.1	41.8	41.6	42.1	286,280
Upper San Gabriel	35.8	42.3	63.8	63.8	433,840
West Basin	276.5	275.8	262.3	276.5	1,880,200
Western	273.5	291.1	288.5	291.1	1,979,480
Total	**4,073.8**	**4,076.7**	**4,554.6**	**4,761.2**	**$ 32,376,160**

(1) San Diego capacity set at 1,296 cfs per surface storage operating agreement terms
totals may not foot due to rounding

2.6 Readiness-to-Serve Charge

The costs of providing standby service, such as emergency storage, are recovered by the RTS. Metropolitan's cost for providing emergency storage capacity within the system are estimated to be about $65.3 million in FY 2008/09. 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 $34.7 million in FY 2008/09. Currently the RTS recovers $82 million, an amount that represents a portion of the capital financing costs for facilities that serve existing users. It is recommended that the RTS be increased to $92 million in FY 2008/09 to recover the additional costs associated with emergency storage and conveyance.

The RTS is allocated to the member agencies based on each agency's proportional share of a ten-year rolling average of all firm deliveries (including water transfers and exchanges that use Metropolitan system capacity). The ten-year rolling average will not include replenishment 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 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 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 as of December 2007 of each agency's total RTS obligation for FY 2008/09.

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

Member Agency	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1996/97 - FY2005/06	RTS Share	6 months @ $92 million per year (7/08-12/08)	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1997/98 - FY2006/07	RTS Share	6 months @ $92 million per year (1/09-6/09)	Total RTS Charge
Anaheim	19,889	1.16%	531,739	20,553	1.16%	534,729	1,066,468
Beverly Hills	13,096	0.76%	350,125	13,008	0.74%	338,430	688,554
Burbank	12,692	0.74%	339,310	12,816	0.72%	333,432	672,742
Calleguas MWD	105,591	6.14%	2,822,943	108,246	6.12%	2,816,294	5,639,236
Central Basin MWD	64,296	3.74%	1,718,934	64,254	3.63%	1,671,719	3,390,653
Compton	3,515	0.20%	93,968	3,514	0.20%	91,415	185,382
Eastern MWD	75,357	4.38%	2,014,658	81,593	4.61%	2,122,838	4,137,496
Foothill MWD	10,691	0.62%	285,814	10,860	0.61%	282,542	568,355
Fullerton	8,837	0.51%	236,242	9,072	0.51%	236,025	472,267
Glendale	25,523	1.48%	682,353	25,094	1.42%	652,874	1,335,226
Inland Empire Utilities Agency	53,818	3.13%	1,438,814	54,273	3.07%	1,412,049	2,850,864
Las Virgenes MWD	21,684	1.26%	579,728	21,987	1.24%	572,045	1,151,774
Long Beach	37,286	2.17%	996,845	37,179	2.10%	967,313	1,964,158
Los Angeles	222,738	12.95%	5,954,862	243,737	13.79%	6,341,401	12,296,263
Municipal Water District of Orange County	222,859	12.95%	5,958,092	223,770	12.66%	5,821,932	11,780,023
Pasadena	21,038	1.22%	562,447	21,742	1.23%	565,663	1,128,110
San Diego County Water Authority	467,634	27.18%	12,502,096	476,270	26.94%	12,391,334	24,893,430
San Fernando	134	0.01%	3,593	119	0.01%	3,086	6,679
San Marino	1,059	0.06%	28,320	1,041	0.06%	27,076	55,397
Santa Ana	12,893	0.75%	344,681	13,062	0.74%	339,837	684,518
Santa Monica	12,458	0.72%	333,068	12,627	0.71%	328,514	661,582
Three Valleys MWD	70,106	4.07%	1,874,268	70,606	3.99%	1,836,977	3,711,245
Torrance	21,241	1.23%	567,885	21,052	1.19%	547,716	1,115,601
Upper San Gabriel Valley MWD	13,227	0.77%	353,608	13,963	0.79%	363,281	716,889
West Basin MWD	143,679	8.35%	3,841,224	143,695	8.13%	3,738,583	7,579,807
Western MWD	59,263	3.44%	1,584,383	63,915	3.61%	1,662,897	3,247,279
MWD Total	1,720,603	100.00%	$ 46,000,000	1,768,045	100.00%	$ 46,000,000	$ 92,000,000

totals may not foot due to rounding

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 replenishment 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 the need for a financial commitment to Metropolitan.

Two factors influenced the use of the 60 percent demand level. First, there is substantial fluctuation in demands as a result of weather. During cool, wet weather, member agencies use less imported supply from Metropolitan's system. 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 may 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	72,361	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	501,386	3,342,571
San Fernando	630	-
San Marino	1,199	-
Santa Ana	12,129	80,858
Santa Monica	11,364	74,062
Three Valleys	70,400	469,331
Torrance	20,967	139,780
Upper San Gabriel	16,512	110,077
West Basin	156,874	1,045,825
Western	58,769	391,791
Total	**1,876,482**	**12,495,989**

totals may not foot due to rounding

2.8 Tier 2 supply rate

The Tier 2 Supply Rate is set at Metropolitan's cost of developing long-term firm supplies 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. Because of the continuing dry conditions, Metropolitan will have to purchase more than 200 thousand acre-feet of water transfers in 2008/09, at an average cost of $250 per acre-foot. Hence, it is recommended that the Tier 2 Supply Rate effective

January 1, 2009 increase from its current level of $171 per acre-foot, to $250 per acre-foot in order to reflect the much higher costs of acquiring the additional supply.

Typically the Tier 2 unit cost is used to set the Tier 2 supply rate. However, given the drought conditions described above and in the board letter, the Tier 2 rate for 2008/09 would be set to $250 per acre-foot to reflect the costs of the additional transfers. The 2009 Tier 2 unit supply cost was calculated at $196 per acre-foot under the same methodology as used in prior years. The Tier 2 unit supply cost estimate 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; the Sacramento Valley Transfer; and the Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program. These programs were chosen out of the number of water supply programs that Metropolitan has developed and from which Metropolitan would have received water deliveries before 2008. 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 the escalated and discounted program yield in acre-feet. This method is consistent with presentation of unit costs for various water supply programs at Metropolitan.

The total revenue requirement for the supply service function is about $293 million in FY 2008/09. At an expected average sales level of 2.23 million acre-feet it is estimated that about 192 thousand acre-feet will be sold at the Tier 2 Supply Rate, resulting in about $33 million in revenues at the $171 per acre-foot rate in effect during 2008. Tier 2 revenues at the higher rate will not be realized until fiscal year 2009/10. The remaining supply costs are recovered by the Tier 1 Supply Rate and by the replenishment 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) replenishment 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 replenishment 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 and exchanges). 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

It is recommended that the Tier 1 Supply Rate effective January 1, 2009 increase from its current level of $73 per acre-foot, to $109 per acre-foot. This increase is due to the substantial additional costs of the required additional water transfers, caused by the critically dry conditions and a court

imposed cutback in State Water Project deliveries. 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 replenishment water rate and agricultural water rate divided by the estimated amount of Tier 1 water sales. At an expected demand level of about 2.23 million acre-feet it is estimated that Metropolitan will sell about 1.8 million acre-feet at the Tier 1 Supply Rate in 2008/09.

2.10 Replenishment and agricultural water rates

Metropolitan currently provides interruptible service for long-term replenishment operations and agricultural deliveries through the replenishment program and the interim agricultural water program (IAWP). Because of the critically dry conditions and uncertainty about supply, replenishment deliveries will be curtailed in 2008/09. In 2008/09, replenishment deliveries are expected to be cut to zero, and certified agricultural deliveries are expected to be about 127 thousand acre-feet.

Since the rates and charges were revised in 2003, replenishment and agricultural water rates have increased on a dollar for dollar basis, along with the full-service rates. If that practice were implemented in 2009, untreated rates for the replenishment program and interim agricultural water program would increase by $36 per acre-foot, to $294 and $297 per acre-foot, respectively, while rates for treated replenishment and treated agricultural service would increase by $46 per acre-foot, to $436 and $440 per acre-foot, respectively. Revenues, if any, 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.

While staff and the member agencies continue to discuss the rationale and value of the replenishment program, it has been suggested that the methodology for setting these rates be revised in the near term to maintain the relative proportions that replenishment rates had to the Tier 1 rate in 2003. This would result in an untreated replenishment rate of $277 per acre-foot and a treated rate of around $390 per acre-foot in 2009. There are several reasons for taking this alternative action:

a. As water supplies are increasingly scarce, it is important to take advantage of those periods when water in excess of full-service demands is available and store as much as is cost effective.
b. Variability in future years' water availability is expected to increase, making storage more important.
c. Metropolitan can fully interrupt replenishment deliveries and groundwater agencies can continue to rely on the basins for supply during dry periods.
d. Some have argued that since Metropolitan has full discretion over the delivery of replenishment water, these sales should cover the marginal or incremental cost of delivery. As such, the price could be even lower. While the argument does not recognize the value of the facilities being used to deliver the water, it is a cost issue that needs to be discussed.
e. As Metropolitan works with its member agencies to revise and improve the replenishment program, it may be appropriate to maintain the original relationship to encourage agencies to store more water, particularly during those short-term events when significant quantities may be available for limited times.
f. Since the 2009 rates are calculated with the assumption that there will be no replenishment sales, the revenue impact of a smaller increase in these rates is zero.

This may be an opportune time to allow member agencies and Metropolitan to evaluate the alternative methods while mitigating revenue and rate impacts over the next two years.

3 Sales

Expected water sales 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 trend to levels expected under normal weather conditions. Since 1989/90, total sales have averaged about 2.00 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. In 2006/07 water sales totaled around 2.24 million acre-feet. Water sales in 2007/08 are expected to be about 2.32 million acre-feet.

Schedule 13. Estimated FY 2009 Deliveries (assuming expected demands)

	Tier 1	Tier 2	Agricultural	Replenishment	Wheeling	Total
Anaheim	23,384	1,248	-	-	-	24,632
Beverly Hills	13,333	-	-	-	-	13,333
Burbank	13,565	-	-	-	-	13,565
Calleguas	103,168	18,251	6,448	-	-	127,867
Central Basin	67,905	-	-	-	-	67,905
Compton	3,309	-	-	-	-	3,309
Eastern	76,745	29,064	4,539	-	-	110,348
Foothill	11,401	1,239	-	-	-	12,640
Fullerton	13,149	-	7	-	-	13,156
Glendale	21,591	-	-	-	-	21,591
Inland Empire	70,145	5,577	79	-	-	75,801
Las Virgenes	22,919	1,512	182	-	-	24,613
Long Beach	39,287	900	-	-	-	40,187
Los Angeles	293,055	95,258	-	-	-	388,313
MWDOC	225,200	6,664	7,598	-	-	239,462
Pasadena	21,129	2,924	-	-	-	24,053
San Diego	477,460	-	80,998	-	81,811	640,270
San Fernando	300	-	-	-	-	300
San Marino	1,505	997	-	-	-	2,502
Santa Ana	14,062	-	-	-	-	14,062
Santa Monica	10,736	1,959	-	-	-	12,695
Three Valleys	72,600	3,640	75	-	-	76,315
Torrance	20,773	1,016	-	-	-	21,789
Upper San Gabriel	11,818	-	-	-	-	11,818
West Basin	143,593	-	-	-	-	143,593
Western	59,044	21,601	27,749	-	-	108,394
Total	**1,831,174**	**191,850**	**127,676**	**-**	**81,811**	**2,232,511**

totals may not foot due to rounding

4 Proof of Revenue

Based on expected sales of 2.23 MAF the expected revenues would be about $113 million less than the total revenue requirement if the rates and charges were in effect the entire test year period. However, because the recommended rates do not take effect until January 1, 2009 the expected revenues for 2008/09 will be about $188 million (14 percent) less than total estimated expenditures in 2008/09. The shortfall will be funded from the Water Rate Stabilization Fund.

Schedule 14. FY 2008/09 Proof of Revenue if Rates Effective for Full Test Year ($ millions)

	Revenues if Rates Effective May 1	Revenue Requirements	Difference	% Over Collected
Supply	257.3	293.4	(36.1)	-12%
System Access Rate	313.9	340.5	(26.7)	-8%
Water Stewardship Rate	54.9	70.0	(15.1)	-22%
System Power Rate	241.4	255.4	(14.0)	-5%
Treatment Surcharge	214.9	228.3	(13.4)	-6%
Readiness-to-serve Charge	92.0	100.0	(8.0)	-8%
Capacity Charge	32.4	32.5	(0.1)	0%
Total	**1,206.7**	**1,320.2**	**(113.5)**	**-9%**

totals may not foot due to rounding

Schedule 15. FY 2008/09 Proof of Revenue if Rates Effective January 1 ($ millions)

	Revenues if Rates Effective Jan 1	Revenue Requirements	Difference	% Over Collected
Supply	193.1	293.4	(100.3)	-34%
System Access Rate	313.5	340.5	(27.0)	-8%
Water Stewardship Rate	54.8	70.0	(15.2)	-22%
System Power Rate	241.2	255.4	(14.3)	-6%
Treatment Surcharge	205.1	228.3	(23.2)	-10%
Readiness-to-serve Charge	92.0	100.0	(8.0)	-8%
Capacity Charge	32.7	32.5	0.2	1%
Total	**1,132.3**	**1,320.2**	**(187.8)**	**-14%**

totals may not foot due to rounding

5 Appendix 1 – Tier 2 Supply Rate

5.1 Overview

The rate structure uses a two-tiered pricing approach to recover Metropolitan's supply costs. A two-tiered approach encourages local water agencies to efficiently use all existing local supplies and to continue to invest in cost-effective conservation and additional local resources like water recycling. Additionally, by using Metropolitan's cost of developing supply to set the Tier 2 Supply Rate, the member agencies have a clear price signal, which will influence choices to purchase additional supply from Metropolitan or to seek alternative sources of imported supplies through water transfers.

The 2009 Tier 2 Supply unit cost for 2009 has been calculated at $196 per acre-foot. This is an increase of $25 per acre-foot from the 2008 Tier 2 unit cost. The primary driver for the rate increase is the additional cost for Sacramento Valley Transfers. The additional transfers are needed to meet demands as supplies of SWP were reduced as a result of the Wanger court decision.

The Tier 2 rate estimate typically 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; the Sacramento Valley Transfers; and the Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program. These programs were chosen out of a number of water supply programs that Metropolitan has developed. The selection criteria for programs included in the Tier 2 calculation are discussed in section 1.3. The unit cost for these programs is calculated as the present value of the program costs divided by the escalated and discounted program yield in acre-feet. This method is consistent with presentation of unit costs for various water supply programs at Metropolitan.

This appendix discusses the methodology used to calculate the Relative Unit Value (RUV) for these programs, the rationale for selecting these particular programs, the assumptions about the supply programs and their costs.

5.2 RUV methodology

To calculate water supply program RUV for the purposes of setting the Tier 2 Supply Rate the present value of program costs was divided by the present value of total escalated program yield. This method provides a meaningful estimate of the per acre-foot cost of water. The growth rate for the value of water was set at 3.48 percent (the 5-year annualized change in the CIP) and the discount rate was set at 4.95 percent (2007 third quarter's average thirty-year Treasury bond yield).

5.3 Rationale for selecting supply programs

The rationale for selecting water supply programs for the Tier 2 Supply Rate setting process is grounded in the following criteria:

- *Board-approved and signed agreement*. Approved water supply programs are used to set the Tier 2 Supply Rate. A water supply program with a signed agreement, approved by Metropolitan's Board provides access to the terms and conditions of the agreement. Therefore, all interested parties may obtain information about the water supply programs used

to determine the Tier 2 Supply Rate. Access to the terms and conditions of water supply programs used to set the Tier 2 Supply Rate reduces misperceptions about the calculations of the Tier 2 Supply Rate and allows all interested parties to perform their own calculation of the Tier 2 Supply Rate.

- *Certified and completed environmental documentation*. Water supply programs used to set the Tier 2 Supply Rate have certified and uncontested environmental documentation. A water supply program with certified and uncontested environmental documentation has a more certain cost estimate. Further, without such completed environmental work, a program would not be operable.
- *Water transfer programs*. Water supply programs used to set the Tier 2 Supply Rate are water transfer programs.
- *Known past benefits and costs and reasonable estimates of future benefits and costs*. Water supply programs used to set the Tier 2 Supply Rate have provided Metropolitan with some supply within the most recent five-year period and are reasonably expected to provide Metropolitan with some supply within the next five-year period. The benefits and costs of the program for all years prior to the year in which the program is used to calculate the Tier 2 Supply Rate are known. Reasonable estimates of future program costs are available. Future benefits and costs of the program are measured through the end of the initial term of the program agreement.

The San Bernardino Valley Municipal Water District Water Transfer Program; the Imperial Irrigation District/Metropolitan Water District Conservation Program; the Sacramento Valley Transfers; and the Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program meet the above criteria and were used to determine the Tier 2 Supply Rate to be effective January 1, 2009.

5.4 Supply program costs

Table 1 summarizes the present value RUV supply program cost. The Tier 2 Supply Rate is calculated as a weighted average of the present value of the RUV for the qualified programs. The program unit cost contributes to the calculation of the Tier 2 Supply Rate in proportion to the amount of benefit (supply) that the program produces. The program RUV is weighted by the total supply yield of the program.

Table 1. Weighted Average RUV

Summary of Weighted Average of Program Unit Costs

PV($)/PV(Esc(af))

	Relative Unit Value ($/af)	PV(Esc(Yield))	Percentage PV(Esc(Yield))	Weighted Average Cost of Programs ($/af)
Imperial Irrigation District / Metropolitan Water District Conservation Program	$179	3,323,158	25%	$45
Sacramento Valley Transfer	$219	6,187,483	46%	$102
San Bernardino Valley Municipal Water District Water Transfer Program	$151	953,083	7%	$11
PVID Land Management, Crop Rotation, and Water Supply Program	$180	2,868,415	22%	$39
Total		**13,332,139**	**100%**	**$196**
Tier-2 Supply Rate				**$196**

totals may not foot due to rounding

5.4.1 Imperial Irrigation District/Metropolitan Water District Conservation Program

Program description

In 1988, Metropolitan executed an agreement to fund water efficiency improvements within the Imperial Irrigation District's (IID) service area in return for the right to divert the water conserved by those improvements for a 35-year period following the completion of construction.

Assumptions

Escalators and discount rates
The discount rate used to adjust the cost of the Imperial Irrigation District/Metropolitan Water District Conservation Program (IID/MWD Conservation Program) is 4.95 percent (2007 third quarter's average thirty-year Treasury bond yield). Annual program operating costs are assumed to escalate at a rate of 3 percent per year.

Program yield
As a result of the conservation efforts in the Imperial Valley that were funded by the IID/MWD Conservation Program, Metropolitan has diverted over 1.4 million acre-feet since fiscal year 1989/90. The calculation of the unit cost for the IID/MWD Conservation Program assumes that about 85,000 acre-feet per year will be diverted for Metropolitan's use through the remainder of the initial program term.

Program costs
Since fiscal year 1989/90, Metropolitan has paid capital costs of over $112 million, indirect costs of $23 million and annual operating costs of over $79 million. It is estimated that an additional $364 million in annual operating costs will be paid through the remaining term of the original agreement. Table 2 summarizes the unit cost calculation for the IID/MWD Conservation Program.

5.4.2 San Bernardino Valley Municipal Water District Water Transfer Program

Program description

In May 2001, Metropolitan entered into a coordinated use agreement with SBVMWD as part of the Coordinated Operating Agreement. Under the terms of this use agreement, Metropolitan agrees to purchase a minimum of 20,000 acre-feet of SBVMWD's State Water Project water every year. At its discretion, Metropolitan may either take direct delivery of this minimum purchase water or may store it within the San Bernardino Groundwater Basin as carryover water for later delivery. The balance of the carryover account cannot exceed 50,000 acre-feet by December 31 of each year. Upon Metropolitan's call, SBVMWD agrees to deliver the stored carryover water to Metropolitan at location acceptable to Metropolitan. Metropolitan also has the option to purchase any additional amounts of SBVMWD State Water Project water that are available beyond SBVMWD's needs – up to an additional 60,000 acre-feet could be available through these option purchases.

Assumptions

Escalators and discount rates
The discount rate used to adjust the cost of the San Bernardino Valley Municipal Water District Water Transfer Program is 4.95 percent (2007 third quarter's average thirty-year Treasury bond yield).

Program yield
The RUV calculation assumes that Metropolitan takes delivery of about 32,000 acre-feet per year through 2035 on average.

Program costs
Metropolitan agrees to pay $95 per acre-foot plus SBVMWD's actual State Water Project delivery costs averaged over 5 years for minimum and option purchase water. In addition, Metropolitan agrees to pay SBVMWD's actual costs for extraction of carryover water upon a call.

5.4.3 Sacramento Valley Transfers

Program description

In January 2003, Metropolitan's Board authorized one-year transfer option agreements with eleven Sacramento Valley water districts to ensure water supply reliability. Metropolitan secured 174,000 acre-feet of options from these districts, of which 107,296 acre-feet were exercised. In October of 2004 the Board also authorized the execution of additional one-year transfer option agreements for 125,000 acre-feet to be executed in April-May of 2005 if necessary. It was not executed but additional transfers are expected in the upcoming years.

Assumptions

Escalators and discount rates
The discount rate used to adjust the cost of the Sacramento Valley Transfer is 4.95 percent (2007 third quarter's average thirty-year Treasury bond yield).

Program yield
Metropolitan has diverted over 107,000 acre-feet (including losses) in 2003/04 and anticipate diverting an average of 204,000 acre-feet per year through 2049/50.

Program costs
Since fiscal year 2007/08, Metropolitan has paid annual operating costs of $14.3 million. Table 4 summarizes the unit cost calculation for the Sacramento Valley Transfer Program.

5.4.4 PVID Land Management, Crop Rotation, and Water Supply Program

Program description

In July 2001, Metropolitan's Board approved Principles of Agreement for a Land Management, Crop Rotation and Water Supply Program (the "Land Management Agreement") with the Palo Verde

Irrigation District ("PVID"). This program is expected to make available up to 111,000 acre-feet of water per year for transfer to Metropolitan from PVID. The term of the proposed program is 35 years. In October 2002 the Board authorized Metropolitan to enter into the Land Management Agreement and related community improvement programs. In 2001, Metropolitan also purchased 16,344 acres of land in the Palo Verde Valley area of eastern Riverside County from the San Diego Gas and Electric Company for $42.5 million. Approximately 9,700 acres of the land are irrigated cropland within PVID. Metropolitan expects to manage a portion of this land consistent with the principles of the Land Management Agreement, resulting in water becoming available for transfer to Metropolitan.

The amount of supply that will be needed from this program depends on the hydrology of the Colorado River Basin and the State Water Project System and could be as high as 111,000 acre-feet in a given year.

Assumptions

Escalators and discount rates
The discount rate used to adjust the cost of the Palo Verde Land Management Agreement is 4.95 percent (2007 third quarter's average thirty-year Treasury bond yield). Annual program operating costs are assumed to escalate at a rate of 2.5 percent per year.

Program yield
Metropolitan expects to divert 3.1 million acre-feet between fiscal years 2004/05 and 2038/39.

Program costs
During 2003/04 through 2006/07 there will be significant up-front expenditures for this program. These up-front payments will be made from existing balances in the Water Transfer Fund. Table 5 summarizes the unit cost calculation for the PVID Program.

5.5 Changing the Tier 2 Supply Rate

5.5.1 Significant and material change

Metropolitan's Board will consider the Tier 2 Supply Rate annually as part of its regular rate setting cycle. However, it should be recognized that changes in the Tier 2 Supply Rate will affect the member agencies and the retail water agencies in many ways including long-term planning, investment decisions in local resources, water transfers and conservation, budgeting and rate setting. Changes in the Tier 2 Supply Rate should be driven by material changes in Metropolitan's cost for developing supply and its need to provide incentives for conservation and local resources development.

Table 2. Imperial Irrigation District/Metropolitan Water District Conservation Program

Cash Year Ending	Capital	Participation Rights	O&M	Total Cost	Present Value Factor	Yield Escalator Factor	PV ($)	Yield (AF)	PV(Yield)	PV(Esc(Yield))
Escalator & Discount Rates:			3.00%		4.95%	3.48%				
Total	**112,527,859**	**23,000,000**	**443,722,245**	**579,250,104**			**596,192,414**	**3,494,789**	**3,305,394**	**3,323,158**
1990	17,704,102	-	638,500	18,342,602	2.386	0.540	43,766,812	6,110	14,579	7,876
1991	35,688,000	4,600,000	1,131,000	41,419,000	2.274	0.559	94,167,521	26,700	60,703	33,935
1992	17,870,663	4,600,000	2,258,419	24,729,082	2.166	0.578	53,570,670	33,929	73,500	42,519
1993	10,794,322	4,600,000	2,796,626	18,190,948	2.064	0.599	37,548,447	54,830	113,176	67,750
1994	7,102,626	4,600,000	1,868,772	13,571,398	1.967	0.619	26,691,857	72,870	143,319	88,780
1995	7,063,978	4,600,000	2,782,845	14,446,823	1.874	0.641	27,073,482	74,570	139,745	89,578
1996	6,352,417	-	1,788,232	8,140,649	1.786	0.663	14,536,115	90,880	162,277	107,642
1997	9,365,229	-	2,237,944	11,603,173	1.701	0.686	19,741,659	97,740	166,295	114,145
1998	586,522	-	6,709,103	7,295,625	1.621	0.710	11,827,336	107,160	173,723	123,394
1999	-	-	5,235,976	5,235,976	1.545	0.735	8,087,972	108,500	167,599	123,187
2000	-	-	2,774,462	2,774,462	1.472	0.761	4,083,554	109,460	161,107	122,536
2001	-	-	5,474,433	5,474,433	1.402	0.787	7,677,437	106,880	149,890	117,972
2002	-	-	4,532,258	4,532,258	1.336	0.814	6,056,327	104,940	140,228	114,208
2003	-	-	6,080,644	6,080,644	1.273	0.843	7,742,154	105,130	133,856	112,812
2004	-	-	7,559,460	7,559,460	1.213	0.872	9,171,081	81,900	99,360	86,654
2005	-	-	8,608,759	8,608,759	1.156	0.902	9,951,485	81,940	94,720	85,482
2006	-	-	8,230,844	8,230,844	1.101	0.934	9,065,865	-	-	-
2007	-	-	8,754,353	8,754,353	1.050	0.966	9,187,693	21,250	22,302	21,552
2008	-	-	9,448,272	9,448,272	1.000	1.000	9,448,272	85,000	85,000	85,000
2009	-	-	9,731,720	9,731,720	0.953	1.035	9,272,720	85,000	80,991	83,809
2010	-	-	10,023,671	10,023,671	0.908	1.071	9,100,430	85,000	77,171	82,636
2011	-	-	10,324,382	10,324,382	0.865	1.108	8,931,342	85,000	73,531	81,478
2012	-	-	10,634,113	10,634,113	0.824	1.147	8,765,395	85,000	70,063	80,337
2013	-	-	10,953,136	10,953,136	0.785	1.187	8,602,532	85,000	66,759	79,212
2014	-	-	11,281,730	11,281,730	0.748	1.228	8,442,694	85,000	63,610	78,102
2015	-	-	11,620,182	11,620,182	0.713	1.271	8,285,827	85,000	60,610	77,008
2016	-	-	11,968,788	11,968,788	0.679	1.315	8,131,874	85,000	57,751	75,930
2017	-	-	12,327,851	12,327,851	0.647	1.361	7,980,781	85,000	55,027	74,866
2018	-	-	12,697,687	12,697,687	0.617	1.408	7,832,496	85,000	52,432	73,817
2019	-	-	13,078,618	13,078,618	0.588	1.457	7,686,966	85,000	49,959	72,783
2020	-	-	13,470,976	13,470,976	0.560	1.508	7,544,140	85,000	47,602	71,764
2021	-	-	13,875,105	13,875,105	0.534	1.560	7,403,968	85,000	45,357	70,759
2022	-	-	14,291,359	14,291,359	0.508	1.614	7,266,400	85,000	43,218	69,768
2023	-	-	14,720,099	14,720,099	0.484	1.670	7,131,389	85,000	41,180	68,791
2024	-	-	15,161,702	15,161,702	0.462	1.729	6,998,885	85,000	39,237	67,827
2025	-	-	15,616,553	15,616,553	0.440	1.789	6,868,844	85,000	37,387	66,877
2026	-	-	16,085,050	16,085,050	0.419	1.851	6,741,219	85,000	35,623	65,940
2027	-	-	16,567,601	16,567,601	0.399	1.915	6,615,965	85,000	33,943	65,017
2028	-	-	17,064,630	17,064,630	0.380	1.982	6,493,039	85,000	32,342	64,106
2029	-	-	17,576,568	17,576,568	0.363	2.051	6,372,396	85,000	30,817	63,208
2030	-	-	18,103,865	18,103,865	0.345	2.122	6,253,996	85,000	29,363	62,323
2031	-	-	18,646,981	18,646,981	0.329	2.196	6,137,795	85,000	27,978	61,450
2032	-	-	19,206,391	19,206,391	0.314	2.273	6,023,753	85,000	26,659	60,589
2033	-	-	19,782,583	19,782,583	0.299	2.352	5,911,830	85,000	25,401	59,740

Table 3. San Bernardino Valley Municipal Water District Water Transfer Program

Cash Year Ending	Capital	Participation Rights	O&M	Total Cost	Present Value Factor	Yield Escalator Factor	PV ($)	Yield (AF)	PV(Yield)	PV(Esc(Yield))
Escalator & Discount Rates:					4.95%	3.48%				
Total	**-**	**50,000,000**	**140,474,621**	**190,474,621**			**144,228,118**	**1,086,146**	**746,621**	**953,083**
1990		-	-	-	2.386	0.540	-	-	-	-
1991		-	-	-	2.274	0.559	-	-	-	-
1992		-	-	-	2.166	0.578	-	-	-	-
1993		-	-	-	2.064	0.599	-	-	-	-
1994		-	-	-	1.967	0.619	-	-	-	-
1995		-	-	-	1.874	0.641	-	-	-	-
1996		-	-	-	1.786	0.663	-	-	-	-
1997		-	-	-	1.701	0.686	-	-	-	-
1998		-	-	-	1.621	0.710	-	-	-	-
1999		-	-	-	1.545	0.735	-	-	-	-
2000		-	-	-	1.472	0.761	-	-	-	-
2001		-	-	-	1.402	0.787	-	-	-	-
2002		-	6,000,000	6,000,000	1.336	0.814	8,017,628	40,000	53,451	43,533
2003		-	8,250,000	8,250,000	1.273	0.843	10,504,277	45,000	57,296	48,288
2004		-	3,000,000	3,000,000	1.213	0.872	3,639,578	46,239	56,097	48,923
2005		-	6,470,655	6,470,655	1.156	0.902	7,479,896	22,261	25,733	23,223
2006		-	3,356,939	3,356,939	1.101	0.934	3,697,501	20,000	22,029	20,572
2007		-	2,033,110	2,033,110	1.050	0.966	2,133,749	20,000	20,990	20,284
2008		10,000,000	4,612,361	14,612,361	1.000	1.000	14,612,361	20,000	20,000	20,000
2009		31,250,000	6,491,542	37,741,542	0.953	1.035	35,961,450	20,000	19,057	19,720
2010		8,750,000	4,780,461	13,530,461	0.908	1.071	12,284,223	20,000	18,158	19,444
2011		-	1,041,666	1,041,666	0.865	1.108	901,117	15,946	13,795	15,286
2012		-	2,933,038	2,933,038	0.824	1.147	2,417,619	61,823	50,959	58,431
2013		-	3,569,172	3,569,172	0.785	1.187	2,803,208	54,159	42,536	50,471
2014		-	3,529,185	3,529,185	0.748	1.228	2,641,069	47,664	35,670	43,796
2015		-	3,444,787	3,444,787	0.713	1.271	2,456,322	42,901	30,591	38,867
2016		-	3,566,002	3,566,002	0.679	1.315	2,422,825	39,435	26,793	35,227
2017		-	3,689,371	3,689,371	0.647	1.361	2,388,418	38,660	25,027	34,051
2018		-	3,534,094	3,534,094	0.617	1.408	2,179,986	33,088	20,410	28,735
2019		-	3,427,302	3,427,302	0.588	1.457	2,014,399	32,518	19,113	27,845
2020		-	3,484,797	3,484,797	0.560	1.508	1,951,588	34,476	19,307	29,107
2021		-	3,618,861	3,618,861	0.534	1.560	1,931,079	34,488	18,403	28,710
2022		-	3,369,837	3,369,837	0.508	1.614	1,713,384	30,158	15,334	24,753
2023		-	3,419,134	3,419,134	0.484	1.670	1,656,455	30,166	14,615	24,414
2024		-	3,603,151	3,603,151	0.462	1.729	1,663,272	31,118	14,364	24,831
2025		-	3,644,745	3,644,745	0.440	1.789	1,603,118	28,794	12,665	22,654
2026		-	3,572,843	3,572,843	0.419	1.851	1,497,373	27,236	11,415	21,129
2027		-	3,687,036	3,687,036	0.399	1.915	1,472,350	26,125	10,432	19,983
2028		-	3,876,459	3,876,459	0.380	1.982	1,474,981	28,207	10,733	21,274
2029		-	4,140,271	4,140,271	0.363	2.051	1,501,058	28,413	10,301	21,128
2030		-	4,279,965	4,279,965	0.345	2.122	1,478,518	28,018	9,679	20,543
2031		-	4,364,978	4,364,978	0.329	2.196	1,436,766	27,568	9,074	19,930
2032		-	4,599,737	4,599,737	0.314	2.273	1,442,628	27,694	8,686	19,741
2033		-	5,040,527	5,040,527	0.299	2.352	1,506,312	27,210	8,131	19,124
2034		-	5,679,181	5,679,181	0.285	2.434	1,617,120	27,766	7,906	19,242
2035		-	6,363,413	6,363,413	0.271	2.518	1,726,490	29,015	7,872	19,825

Table 4. Sacramento Valley Transfer

Cash Year Ending	Capital	Participation Rights	O&M	Total Cost	Present Value Factor	Yield Escalator Factor	PV ($)	Yield (AF)	PV(Yield)	PV(Esc(Yield))
Escalator & Discount Rates:					4.95%	3.48%				
Total	**-**	**-**	**4,793,374,973**	**4,793,374,973**			**1,353,519,586**	**8,678,069**	**3,171,923**	**6,187,483**
1990		-	-	-	2.386	0.540	-	-	-	-
1991		-	-	-	2.274	0.559	-	-	-	-
1992		-	-	-	2.166	0.578	-	-	-	-
1993		-	-	-	2.064	0.599	-	-	-	-
1994		-	-	-	1.967	0.619	-	-	-	-
1995		-	-	-	1.874	0.641	-	-	-	-
1996		-	-	-	1.786	0.663	-	-	-	-
1997		-	-	-	1.701	0.686	-	-	-	-
1998		-	-	-	1.621	0.710	-	-	-	-
1999		-	-	-	1.545	0.735	-	-	-	-
2000		-	-	-	1.472	0.761	-	-	-	-
2001		-	-	-	1.402	0.787	-	-	-	-
2002		-	-	-	1.336	0.814	-	-	-	-
2003		-	1,775,804	1,775,804	1.273	0.843	2,261,035	107,296	136,614	115,137
2004		-	11,284,336	11,284,336	1.213	0.872	13,690,074	-	-	-
2005		-	1,263,245	1,263,245	1.156	0.902	1,460,276	-	-	-
2006		-	-	-	1.101	0.934	-	-	-	-
2007		-	-	-	1.050	0.966	-	-	-	-
2008		-	1,250,000	1,250,000	1.000	1.000	1,250,000	-	-	-
2009		-	50,000,000	50,000,000	0.953	1.035	47,641,734	200,000	190,567	197,199
2010		-	51,500,000	51,500,000	0.908	1.071	46,756,538	200,000	181,579	194,437
2011		-	42,995,003	42,995,003	0.865	1.108	37,193,809	161,755	139,930	155,053
2012		-	16,263,503	16,263,503	0.824	1.147	13,405,540	58,827	48,489	55,600
2013		-	29,117,559	29,117,559	0.785	1.187	22,868,767	102,527	80,524	95,545
2014		-	38,165,053	38,165,053	0.748	1.228	28,560,856	130,633	97,759	120,032
2015		-	42,185,973	42,185,973	0.713	1.271	30,080,910	140,272	100,022	127,083
2016		-	45,330,984	45,330,984	0.679	1.315	30,798,928	146,193	99,327	130,592
2017		-	55,724,855	55,724,855	0.647	1.361	36,075,051	174,447	112,933	153,648
2018		-	66,465,340	66,465,340	0.617	1.408	40,998,767	202,231	124,745	175,625
2019		-	68,728,518	68,728,518	0.588	1.457	40,395,232	203,060	119,349	173,875
2020		-	67,570,093	67,570,093	0.560	1.508	37,841,226	193,944	108,614	163,744
2021		-	59,487,672	59,487,672	0.534	1.560	31,743,530	165,855	88,503	138,067
2022		-	51,025,107	51,025,107	0.508	1.614	25,943,569	137,961	70,146	113,238
2023		-	51,398,056	51,398,056	0.484	1.670	24,900,614	134,937	65,372	109,205
2024		-	52,347,211	52,347,211	0.462	1.729	24,164,314	133,349	61,556	106,408
2025		-	55,845,801	55,845,801	0.440	1.789	24,563,429	138,208	60,790	108,740
2026		-	55,911,576	55,911,576	0.419	1.851	23,432,453	134,272	56,273	104,164
2027		-	59,945,070	59,945,070	0.399	1.915	23,937,955	139,764	55,812	106,906
2028		-	62,974,398	62,974,398	0.380	1.982	23,961,564	142,619	54,266	107,561
2029		-	62,121,310	62,121,310	0.363	2.051	22,522,122	136,588	49,520	101,570
2030		-	63,078,332	63,078,332	0.345	2.122	21,790,463	134,571	46,488	98,669
2031		-	67,819,784	67,819,784	0.329	2.196	22,323,393	140,542	46,260	101,603
2032		-	70,129,987	70,129,987	0.314	2.273	21,995,059	141,018	44,228	100,519
2033		-	77,269,325	77,269,325	0.299	2.352	23,091,176	150,877	45,088	106,041
2034		-	82,265,708	82,265,708	0.285	2.434	23,424,769	155,986	44,416	108,096
2035		-	86,158,995	86,158,995	0.271	2.518	23,376,240	158,576	43,024	108,351
2036		-	94,007,879	94,007,879	0.259	2.606	24,302,774	167,933	43,414	113,138
2037		-	106,242,136	106,242,136	0.246	2.697	26,170,134	184,267	45,390	122,403
2038		-	120,789,655	120,789,655	0.235	2.791	28,350,221	203,352	47,728	133,189
2039		-	138,798,493	138,798,493	0.224	2.888	31,040,522	226,940	50,752	146,557
2040		-	152,644,635	152,644,635	0.213	2.988	32,526,952	242,323	51,636	154,298
2041		-	167,351,019	167,351,019	0.203	3.092	33,978,777	257,911	52,366	161,924
2042		-	184,102,531	184,102,531	0.193	3.200	35,616,948	275,502	53,299	170,545
2043		-	199,427,467	199,427,467	0.184	3.311	36,762,029	289,728	53,408	176,840

Table 5. PVID Land Management, Crop Rotation, and Water Supply Program

Cash Year Ending	Capital	Participation Rights	O&M	Total Cost	Present Value Factor	Yield Escalator Factor	PV ($)	Yield (AF)	PV(Yield)	PV(Esc(Yield))
Escalator & Discount Rates:					4.95%	3.48%				
Total	**-**	**83,834,042**	**713,106,133**	**796,940,175**			**515,453,983**	**3,310,828**	**2,254,100**	**2,868,415**
1990		-	-	-	2.386	0.540	-	-	-	-
1991		-	-	-	2.274	0.559	-	-	-	-
1992		-	198,674	198,674	2.166	0.578	430,388	-	-	-
1993		-	10,760,103	10,760,103	2.064	0.599	22,210,231	92,989	191,941	114,901
1994		-	10,179,208	10,179,208	1.967	0.619	20,020,190	92,989	182,888	113,291
1995		-	5,242,166	5,242,166	1.874	0.641	9,823,868	-	-	-
1996		-	31,641	31,641	1.786	0.663	56,499	-	-	-
1997		-	14,766	14,766	1.701	0.686	25,123	-	-	-
1998		-	-	-	1.621	0.710	-	-	-	-
1999		-	-	-	1.545	0.735	-	-	-	-
2000		-	-	-	1.472	0.761	-	-	-	-
2001		-	-	-	1.402	0.787	-	-	-	-
2002		437,392	-	437,392	1.336	0.814	584,474	-	-	-
2003		-	-	-	1.273	0.843	-	-	-	-
2004		603,378	-	603,378	1.213	0.872	732,014	-	-	-
2005		11,262,986	6,988,787	18,251,773	1.156	0.902	21,098,539	11,887	13,741	12,401
2006		65,384,087	15,724,745	81,108,832	1.101	0.934	89,337,343	117,503	129,424	120,865
2007		5,563,249	8,411,128	13,974,377	1.050	0.966	14,666,109	88,901	93,302	90,164
2008		-	11,431,473	11,431,473	1.000	1.000	11,431,473	98,921	98,921	98,921
2009		291,475	17,567,303	17,858,778	0.953	1.035	17,016,463	108,750	103,621	107,227
2010		291,475	23,367,573	23,659,048	0.908	1.071	21,479,906	141,250	128,240	137,321
2011		-	19,351,849	19,351,849	0.865	1.108	16,740,758	114,050	98,662	109,324
2012		-	19,346,918	19,346,918	0.824	1.147	15,947,111	111,200	91,659	105,100
2013		-	19,836,687	19,836,687	0.785	1.187	15,579,623	111,200	87,336	103,627
2014		-	20,338,855	20,338,855	0.748	1.228	15,220,603	111,200	83,217	102,176
2015		-	20,615,021	20,615,021	0.713	1.271	14,699,640	109,935	78,390	99,599
2016		-	20,539,200	20,539,200	0.679	1.315	13,954,812	106,814	72,572	95,416
2017		-	21,273,341	21,273,341	0.647	1.361	13,771,895	107,911	69,859	95,045
2018		-	21,284,770	21,284,770	0.617	1.408	13,129,389	105,296	64,951	91,444
2019		-	21,840,316	21,840,316	0.588	1.457	12,836,660	105,381	61,938	90,235
2020		-	22,233,133	22,233,133	0.560	1.508	12,451,204	104,622	58,591	88,330
2021		-	22,183,065	22,183,065	0.534	1.560	11,837,222	101,839	54,343	84,776
2022		-	19,792,117	19,792,117	0.508	1.614	10,063,245	88,598	45,047	72,721
2023		-	20,003,510	20,003,510	0.484	1.670	9,691,022	87,333	42,310	70,678
2024		-	20,272,219	20,272,219	0.462	1.729	9,357,982	86,320	39,847	68,881
2025		-	20,296,501	20,296,501	0.440	1.789	8,927,290	84,296	37,077	66,323
2026		-	19,959,050	19,959,050	0.419	1.851	8,364,806	80,839	33,879	62,712
2027		-	20,397,748	20,397,748	0.399	1.915	8,145,463	80,586	32,180	61,640
2028		-	20,063,266	20,063,266	0.380	1.982	7,634,011	77,296	29,411	58,296
2029		-	20,656,545	20,656,545	0.363	2.051	7,489,044	77,628	28,144	57,726
2030		-	20,373,773	20,373,773	0.345	2.122	7,038,137	74,664	25,793	54,744
2031		-	21,555,239	21,555,239	0.329	2.196	7,095,069	77,043	25,359	55,698
2032		-	22,729,607	22,729,607	0.314	2.273	7,128,749	79,236	24,851	56,481
2033		-	23,801,101	23,801,101	0.299	2.352	7,112,724	80,923	24,183	56,875
2034		-	24,809,917	24,809,917	0.285	2.434	7,064,506	82,272	23,427	57,013
2035		-	25,542,288	25,542,288	0.271	2.518	6,930,010	82,610	22,413	56,445
2036		-	26,295,840	26,295,840	0.259	2.606	6,797,961	82,947	21,443	55,882
2037		-	27,043,592	27,043,592	0.246	2.697	6,661,523	83,200	20,494	55,267
2038		-	20,753,099	20,753,099	0.235	2.791	4,870,905	62,400	14,646	40,870

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION ____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF INTENTION TO IMPOSE A READINESS-TO-SERVE CHARGE FOR FISCAL YEAR 2008/09

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"), and as an availability of service charge pursuant to Section 134.5 of the Act; and

WHEREAS, under authority of Sections 133 and 134 of the Act, the Board has the authority to fix the rate or rates for water as will result in revenue which, together with other revenues, will pay Metropolitan's operating expenses and provide for 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 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 2007 (the "Engineer's Report"), on file with the Board Executive Secretary, a copy of which is attached as Exhibit 1.

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

Section 1. That Metropolitan should develop a reliable source of revenues less susceptible to seasonal and annual variation, through imposition of a readiness-to-serve charge to be collected from Metropolitan's member public agencies.

Section 2. That said readiness-to-serve charge should be in an amount sufficient to provide for payment of debt service and other appropriately allocated costs, for capital expenditures for projects needed to provide standby and emergency storage service needs.

Section 3. That such readiness-to-serve charge for July 1, 2008 through and including December 31, 2008 shall be a water rate equal to $53.46 per acre-foot and for January 1, 2009 through and including June 30, 2009 shall be a water rate equal to $52.03 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, 2008 through and including June 30, 2009 shall be $92,000,000.

Section 4. That this Board finds that the proposed readiness-to-serve charge is necessary for the purpose of financing construction costs of public utility facilities furnished by Metropolitan, and does not exceed the proportionate share of the cost of the public utility facilities of benefit to each person or property charged, based upon the proportionate share of the use of those facilities as shown on the Engineer's Report.

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Section 5. 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 6. That notice is hereby given to the public and to each member public agency of Metropolitan of the intention of Metropolitan's Board to consider and take action at its regular meeting to be held March 11, 2008 (or such other date as the Board shall hold its regular meeting), on the General Manager's recommendation to impose a readiness-to-serve charge for FY 2008/09.

Section 7. That the readiness-to-serve charge for FY 2008/09 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, 2007. Metropolitan sales of reclaimed water under the Local Projects Program, groundwater under the Groundwater Recovery Program, and deliveries under the Replenishment and Interim Agricultural Water Service Programs are not included in the readiness-to-serve charge water sales calculation. The allocation of the readiness-to-serve charge among member agencies is based on sales data recorded by Metropolitan and shall be conclusive in the absence of manifest error.

The proposed amount of the readiness-to-serve charge to be imposed on each member public agency effective July 1, 2008, is as follows:

Table 1

Fiscal Year 2008/09 Readiness-To-Serve Charge

Member Agency	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1996/97 - FY2005/06	RTS Share	6 months @ $92 million per year (7/08-12/08)	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1997/98 - FY2006/07	RTS Share	6 months @ $92 million per year (1/09-6/09)	Total RTS Charge FY 2008/09
Anaheim	19,889	1.16%	$ 531,650	20,553	1.16%	$ 534,641	$ 1,066,292
Beverly Hills	13,096	0.76%	350,066	13,008	0.74%	338,374	688,440
Burbank	12,692	0.74%	339,253	12,816	0.72%	333,377	672,631
Calleguas MWD	105,716	6.14%	2,825,819	108,372	6.13%	2,819,092	5,644,911
Central Basin MWD	64,296	3.74%	1,718,646	64,254	3.63%	1,671,447	3,390,093
Compton	3,515	0.20%	93,952	3,514	0.20%	91,400	185,352
Eastern MWD	75,357	4.38%	2,014,321	81,593	4.61%	2,122,492	4,136,813
Foothill MWD	10,691	0.62%	285,766	10,860	0.61%	282,496	568,262
Fullerton	8,837	0.51%	236,203	9,072	0.51%	235,987	472,189
Glendale	25,523	1.48%	682,238	25,094	1.42%	652,767	1,335,006
Inland Empire Utilities Agency	53,818	3.13%	1,438,573	54,273	3.07%	1,411,819	2,850,393
Las Virgenes MWD	21,684	1.26%	579,631	21,987	1.24%	571,952	1,151,584
Long Beach	37,286	2.17%	996,678	37,179	2.10%	967,155	1,963,833
Los Angeles	222,738	12.94%	5,953,865	243,737	13.78%	6,340,368	12,294,233
Municipal Water District of Orange County	223,022	12.96%	5,961,446	223,933	12.66%	5,825,218	11,786,664
Pasadena	21,038	1.22%	562,353	21,742	1.23%	565,571	1,127,924
San Diego County Water Authority	467,634	27.17%	12,500,003	476,270	26.93%	12,389,316	24,889,319
San Fernando	134	0.01%	3,593	119	0.01%	3,085	6,678
San Marino	1,059	0.06%	28,315	1,041	0.06%	27,072	55,387
Santa Ana	12,893	0.75%	344,624	13,062	0.74%	339,782	684,405
Santa Monica	12,458	0.72%	333,012	12,627	0.71%	328,461	661,473
Three Valleys MWD	70,106	4.07%	1,873,955	70,606	3.99%	1,836,677	3,710,632
Torrance	21,241	1.23%	567,790	21,052	1.19%	547,627	1,115,417
Upper San Gabriel Valley MWD	13,227	0.77%	353,549	13,963	0.79%	363,222	716,771
West Basin MWD	143,679	8.35%	3,840,581	143,695	8.13%	3,737,974	7,578,555
Western MWD	59,263	3.44%	1,584,118	63,915	3.61%	1,662,626	3,246,743
MWD Total	1,720,891	100.00%	$ 46,000,000	1,768,333	100.00%	$ 46,000,000	$ 92,000,000

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 proposed readiness-to-serve charge and the amount applicable to each electing member public agency, the method of its calculation, and the specific data used in its determination are as specified in the General Manager's recommendation on rates and charges to be effective January 1, 2009, which forms the basis of the readiness-to-serve charge. Such recommendation 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 continuing 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 continuation 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 ("annexation 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 continuation of pre-1997 standby charges for FY 2008/09. 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 continuation, as the case may be, of annexation standby charges for FY 2008/09. The Engineer's Report lists parcels annexed, or to be annexed, to Metropolitan and to electing member agencies during FY 2008/09, such parcels being subject to the annexation standby charge upon annexation. Parcels annexed after January 1997 and prior to FY 2008/09 are subject to annexation standby charges as described in the Engineer's Report for the fiscal year of their annexation. These parcels and parcels that are subject to the pre-1997 standby charges are identified in a listing filed with the Board 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 2008/09 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	9.23

Section 16. That with respect to annexation standby charges, the Engineer's Report separates the special benefits from the general benefits and identifies each of the parcels on which a special benefit is conferred. No annexation standby charge on any parcel exceeds the reasonable cost of the proportional special benefit conferred on that parcel, as shown in the Engineer's Report.

Section 17. That the proposed water standby charge, if imposed, shall be collected on the tax rolls, together with the *ad valorem* property taxes which are levied by Metropolitan for the payment of pre-1978 voter-approved indebtedness. Any amounts so collected shall be applied as a credit against the applicable member agency's obligation to pay a readiness-to-serve charge. After such member agency's readiness-to-serve charge allocation is fully satisfied, any additional collections shall be credited to other outstanding obligations of such member agency to Metropolitan or future readiness-to-serve obligations of such agency. Notwithstanding the provisions of Section 12 above, any member agency requesting to have all or a portion of its readiness-to-serve charge obligation collected through standby charge levies within its territory as provided herein shall pay any portion not collected through net standby charge collections to Metropolitan within 50 days after

* 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.

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

Section 18. That notice is hereby given to the public and to each member public agency of The Metropolitan Water District of Southern California of the intention of Metropolitan's Board to consider and take action at its regular meeting to be held March 11, 2008 (or such other date as the Board shall hold its regular meeting in such month), on the General Manager's recommendation to impose a readiness-to-serve charge for FY 2008/09 as provided in this Resolution. The Business and Finance Committee of Metropolitan's Board shall hold a public hearing at which interested parties may present their views regarding the proposed readiness-to-serve charge, to be held prior to its regular March meeting pursuant to Section 4304(e) of Metropolitan's Administrative Code. Such hearing shall also satisfy the requirements of Section 4304(k) of the Administrative Code. The Board reserves the right to make any changes to the readiness to serve charge, including but not limited to the basis on which such charges shall be imposed by Metropolitan, as a result of comments received at the public hearing.

Section 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, 2008 (or such other date as the Board shall hold its regular meeting in such month), on the General Manager's recommendation to impose a water standby charge for FY 2008/09 under authority of Section 134.5 of the Act on land within Metropolitan at the rates, per acre of land, or per parcel of land less than an acre, specified in Section 16 above. Any such water standby charge will be imposed as a means of collecting the readiness-to-serve charge.

Section 20. That the Board will meet in regular session at its meeting on April 8, 2008 (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 Board 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 Board Executive Secretary on or before April 8, 2008, 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. That the following exemption procedures apply with respect to pre-1997 standby charges:

(a) It is the intent of the Board that the following lands shall be exempt from the pre-1997 water standby charge: (1) lands owned by the Government of the United States, the State of California, or by any political subdivision thereof or any entity of local government; (2) lands permanently committed to open space and maintained in their natural state that are not now and will not in the future be supplied water; (3) lands not included in (1) or (2) above, which the General Manager, in his discretion, finds do not now and cannot reasonably be expected to derive a benefit from the projects to which the proceeds of the water standby charge will be applied; and (4) lands within any member public agency, subagency, or city if the governing body of such public entity elects and commits to pay out of funds available for that purpose, in installments at the time and in the amounts established by Metropolitan, the entire amount of the water standby charge which would otherwise be imposed upon lands within those public entities. However, no exemption from the pre-1997 water standby charge shall reduce the applicable member agency's readiness-to-serve charge obligation. The General Manager may develop and implement additional criteria and guidelines for exemptions in order to effectuate the intent expressed herein.

(b) The General Manager shall establish and make available to interested applicants procedures for filing and consideration of applications for exemption from the water standby charge pursuant to subsections (2) and (3) of Section 21(a) above. All applications for such exemption and documents supporting such claims must be received by Metropolitan in writing on or before December 31, 2008. The General Manager is further directed to review any such applications for exemption submitted in a timely manner to determine whether the lands to which they pertain are eligible for such exemption and to allow or disallow such applications based upon those guidelines. The General Manager shall also establish reasonable procedures for the filing and timing of the appeals from his determination.

(c) The Business and Finance Committee shall hear appeals from determinations by the General Manager to deny or qualify an application for exemption from the pre-1997 water standby charge. The Business and Finance Committee shall consider such appeals and make recommendations to the Board to affirm or reverse the General Manager's determinations. The Board shall act upon such recommendations and its decision as to such appeals shall be final.

Section 22. 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 23. That the readiness-to-serve charge is imposed by Metropolitan as a rate 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 24. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

Section 25. That this Board finds that the proposed readiness-to-serve charge and other charges provided in this Resolution are not defined as a Project from the provisions of the California Environmental Quality Act ("CEQA") since they 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 26. 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 27. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by mailing or by publication.

Section 28. That the Board Executive Secretary is hereby directed to transmit a certified copy of this Resolution to the presiding officer of the governing body of each member public agency.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on January 8, 2008.

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Board Executive Secretary
The Metropolitan Water District
of Southern California

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
ENGINEER'S REPORT

PROGRAM TO LEVY READINESS-TO-SERVE CHARGE,

INCLUDING LOCAL OPTION FOR STANDBY CHARGE,
DURING FISCAL YEAR 2008/09

December 2007

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 18 million people reside within Metropolitan's service area, which covers over 5,000 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura. Metropolitan currently 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 fiscal year 2008/09, and (2) describe the method and basis for levying Metropolitan's standby charge for those agencies electing to collect a portion of their RTS obligation through Metropolitan's standby charge.

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

METROPOLITAN'S RESPONSE TO INCREASING WATER DEMANDS

To respond to increasing demands for water, Metropolitan and its member agencies collectively examined the available local and imported resource options in order to develop a least-cost plan that meets the reliability and quality needs of the region. The product of this intensive effort was an Integrated Resources Plan (IRP) for achieving a reliable and affordable water supply for Southern California. The major objective of the IRP was to develop a comprehensive water resources plan that ensures (1) reliability, (2) affordability, (3) water quality, (4) diversity of supply, and (5) adaptability for the region, while recognizing the environmental, institutional, and political constraints to resource development. As these constraints change over time, the IRP is periodically revisited and updated by Metropolitan and the member agencies to reflect current conditions. 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 1.9 million acre-feet of the total SWP entitlements of 4.2 million acre-feet. All Metropolitan member agencies benefit from the SWP supplies, which are distributed to existing customers and are available to future customers throughout Metropolitan's service area. The potential benefit of the SWP allocable to the RTS charge in fiscal year 2008/09 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 fiscal year 2008/09 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 facilities or equipment. These projects are needed to enhance system operations, comply with new regulations, and maintain a reliable distribution system. A list of conveyance and distribution system facilities is provided in Table 3 along with the fiscal year 2008/09 estimated conveyance and distribution system benefits.

Demand Management Program Benefits

Demand management programs that could be financed by the RTS charge and standby charge include Metropolitan's participation in providing financial incentives to local agencies for the construction and development of local resource programs and conservation projects. Investments in demand side management programs like conservation, water recycling and groundwater recovery reduce the need to provide additional imported water supplies and help defer the need for additional conveyance, distribution, and storage facilities. A summary of the estimated benefits of the demand management programs as measured by Metropolitan's anticipated expenditures for these programs in fiscal year 2008/09 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 184,000 acre-feet of water for fiscal year 2008/09 with financial incentive payments of about $33 million. Regional recycling, recovered groundwater, and desalinated seawater production are projected to be about 750,000 acre-feet per year, by year 2025. An estimate of potential benefits as measured by Metropolitan's estimated incentive payments for recycling and groundwater recovery projects is shown in Table 2.

Water Conservation

Metropolitan actively promotes water conservation programs within its service area as a cost-effective strategy for ensuring the long-term reliability of supplies and as a means of reducing the need to expand system conveyance, distribution and treatment capacity. Through the Conservation Credits Program, Metropolitan reimburses local agencies for a share of their costs of implementing conservation projects. Since fiscal year 1990/91, Metropolitan has spent over $205 million in financial incentives to support local conservation projects.

In 1991, Metropolitan agreed to implement conservation "Best Management Practices" (BMPs). By signing the California Urban Water Conservation Council's *Memorandum of Understanding Regarding Urban Water Conservation* (amended March 10, 2004), Metropolitan committed to implement proven and reliable water conserving technologies and practices within its jurisdiction. Based on Metropolitan's IRP, the Conservation Credits Program, in conjunction with plumbing codes and other conservation efforts, has saved over 977,000 acre-feet through fiscal year 2004/05. By 2025, it is estimated that conservation practices will save over one million acre-feet, reducing Metropolitan's total water requirements 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 fiscal year 2008/09 are about $323 million as shown in Table 1.

Although the RTS charge could be set to recover the entire potential benefit amount, the General Manager is recommending that the RTS charge only recover a portion of the total potential benefit. For fiscal year 2008/09, this amount is estimated to be $92,000,000. 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 the rate structure approved by the Board in October of 2001, the RTS charge for fiscal year 2008/09 is allocated to each member agency on the basis of a ten-year rolling average of historic water purchases from Metropolitan ending June 30, 2007. This average includes all deliveries used to meet firm demand (consumptive municipal industrial demands), including water transfers and exchanges. The estimated fiscal year 2008/09 RTS for each member agency is shown in Table 4.

Standby Charge Option

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

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

The proposed standby charge includes the continuation of water standby charges on: (1) parcels which water standby charges have been imposed in fiscal year 1996/97 and annually thereafter ("pre-1997 standby charges") and (2) parcels annexed to Metropolitan and to an electing member agency after January 1997 ("annexation standby charges"). Only land within member agencies which standby charges were imposed in fiscal year 1996/97 will be subject to the continuation of pre-1997 standby charges for FY 2008/09. 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 continuation, as applicable, of annexation standby charges for fiscal year 2008/09. Table 6 lists parcels annexed, or to be annexed, to Metropolitan and to electing member agencies during FY 2008/09, such parcels being subject to the annexation standby charge upon annexation. Parcels annexed prior to FY 2008/09 are subject to annexation standby charges as described in the Engineer's Report for the fiscal year of their annexation.

These parcels and parcels that are subject to the pre-1997 standby charges are identified in a listing filed with the Executive Secretary.

The estimated potential benefits of Metropolitan's water supply program, which could be paid by a standby charge, is approximately $323 million for fiscal year 2008/09, as shown in Table 1. An average total standby charge of about $74.66 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 net revenue flow of approximately $43 million for fiscal year 2008/09. 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 shutdowns 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 CRA can be used 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, CRA and DVL and the conveyance and distribution facilities, demand management programs increase the future reliability of water supplies. In addition, demand management programs provide system-wide benefits by effectively decreasing the demand for imported water, which helps to defer construction of additional system conveyance and distribution capacity. However, the abilities of each member agency to implement these projects under Metropolitan's financial assistance programs vary and are generally represented by the historic use of imported Metropolitan water.

A major advantage of a firm revenue source, such as a RTS charge, is that it contributes to revenue stability during times of drought or low water sales. It affords Metropolitan additional security, when borrowing funds, that a portion of the revenue stream will be unaffected by drought or by rainfall. This security will help maintain Metropolitan's historically high credit rating, which results in lower interest expense to Metropolitan, and therefore, lower overall cost to the residents of its service area.

SUMMARY

The foregoing and the attached tables describe the current benefits provided by the projects listed as mainstays to the water supply system for Metropolitan's service area. Benefits are provided to both water users and property owners. The projects represented by this report provide both local benefits as well as benefits throughout the entire service area. It is recommended, for fiscal year 2008/09, 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 fiscal year 2008/09. 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 2008/09 standby charge for each is available in the office of the Chief Financial Officer.

Prepared Under the Supervision of:

Robert L. Harding, RCE C50185
Unit Manager V
Water Resource Management

Prepared Under the Supervision of:

Brian G. Thomas
Assistant General Manager/
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 FY2008/09	Dollars Per Parcel of 1 Acre or Less
Net Capital Payments to State Water Project (less portion paid by property taxes)	$42,926,609	$9.91
Non Tax Supported Debt Service Costs for System Storage [1]	$110,928,647	$25.61
Non Tax Supported Debt Service Costs for Conveyance and Distribution System [2]	$115,908,375	$26.76
Sub-Total Capital Payments	**$269,763,631**	**$62.27**
less Estimated Standby Charge Revenues	($43,520,286)	($10.05)
Remaining capital payments	$226,243,345	$52.22
Demand Management Programs: Water Recycling, Groundwater Recovery, and Water Conservation Projects	**$53,674,616**	**$12.39**
Sub-Total Capital Financing and Demand Management Programs Costs not Paid by Standby Charge Revenues	$279,917,961	$64.61
Total Benefits: Capital Financing and Demand Management Programs	**$323,438,247**	**$74.66**

Notes:

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

totals may not foot due to rounding

TABLE 2

WATER RECYCLING, GROUNDWATER RECOVERY AND CONSERVATION PROJECTS

Project Name	FY 2008/09 Payment
Water Recycling Projects	**$23,978,341**
Alamitos Barrier Reclaimed Water Project	
Burbank Reclaimed Water System Expansion Project	
Calabasas Reclaimed Water System Expansion	
Capistrano Valley Non-Domestic Water System Expansion	
Century Reclamation Program	
Cerritos Reclaimed Water Expansion Project	
City of Industry Regional Water System - Rowland	
City of Industry Regional Water System - Suburban	
City of Industry Regional Water System - Walnut	
Conejo Creek Diversion Project	
Decker Canyon WRP	
Development of Non-Domestic Water Sys. Exp. Ladera	
Direct Reuse Project Phase IIA	
Dry Weather Runoff Reclamation Facility	
Eastern Recycled Water Pipeline Reach 16	
Eastern Regional Reclaimed Water System	
EMWD Reach I Phase II	
Encina Basin Water Rec. Prog - Phases I and II	
Encina Water Pollution Control Facility Recl. Project	
Escondido Regional Reclaimed Water Project	
Fallbrook Reclamation Project	
Glendale Brand Park Reclaimed Water Project	
Glendale Verdugo-Scholl Canyon Recl. Water Project	
Glendale Water Reclamation Expansion Project	
Green Acres Reclamation Project - Coastal	
Green Acres Reclamation Project - MWDOC	
Green Acres Reclamation Project - Santa Ana	
Groundwater Replenishment System Talbert Seawater Intrusion Barrier Component	
Hansen Area Water Recycling Project Phase 1	
Hansen Area Water Recycling Project Phase 2	
Harbor Water Recycling Project	
IEUA Regional Recycled Water Dist. System	
Irvine Ranch Reclamation Project	
IRWD Recycled Water System Upgrade	
Lakewood Water Reclamation Project	
Las Virgenes Reclamation Project	

TABLE 2 (Continued)

WATER RECYCLING, GROUNDWATER RECOVERY AND CONSERVATION PROJECTS

Project Name	FY 2008/09 Payment
Water Recycling Projects (continued)	
Long Beach Reclamation Expansion Phase I	
Long Beach Reclamation Project	
Los Angeles Greenbelt Project	
Moulton Niguel Phase 4 Reclamation System Expansion	
Moulton Niguel Reclamation Project	
North City Water Reclamation Project	
Oak Park/North Ranch Water Reclamation Project	
Oceanside Water Reclamation Project	
Olivenhain Recycled Project - SE Quadrant	
Otay Recycled Water System	
Otay Water Reclamation Project	
Padre Dam Reclaimed Water System Phase I	
Ramona/Santa Maria Water Reclamation Project	
Rancho California Reclamation Expansion	
Rancho Santa Fe Reclaimed Water System	
RDDMWD Recycled Water Program	
Recycled Water Distribution Line Extension	
Rio Hondo Water Reclamation Program	
San Clemente Water Reclamation Project	
San Elijo Water Reclamation System	
San Pasqual Reclamation Project	
Santa Margarita Reclamation Expansion Project	
Sepulveda Basin Water Reclamation Project	
Sepulveda Basin Water Recycling Project Phase IV	
Shadowridge Reclaimed Water System	
South Laguna Reclamation Expansion Project	
South Laguna Reclamation Project	
South Valley Water Recycling Project	
Trabuco Canyon Reclamation Expansion Project	
Walnut Valley Reclamation Expansion Project	
West Basin Water Reclamation Program	

TABLE 2 (Continued)

WATER RECYCLING, GROUNDWATER RECOVERY AND CONSERVATION PROJECTS

Project Name	FY 2008/09 Payment
Groundwater Recovery Projects	**$9,571,275**
Arlington Desalter	
Beverly Hills Desalter	
Burbank Lake Street GAC Plant	
Capistrano Beach Desalter	
Chino Basin Desalter No. 1 - IEUA	
Chino Basin Desalter No. 1 - Western	
Glenwood Nitrate	
Irvine Desalter	
Juan Well Filter Facility	
Lower Sweetwater Desalter Phase 1	
Madrona Desalter (Goldsworthy)	
Menifee Basin Desalter	
Mesa Consolidated Colored Water Treatment Facility	
Oceanside Desalter Phase I	
Oceanside Desalter Phase I and II	
Pomona Well # 37	
Rowland GW Treatment Project	
San Juan Desalter	
Santa Monica GW Treatment Plant	
Sepulveda Desalter	
Tapo Canyon Water Treatment Plant	
Temescal Basin Desalting Facility	
Tustin Desalter	
Wells # 7&8 - NF Water Treatment Facility	
West Basin Desalter No. 1	
Westlake Wells - Tapia WRF Intertie	
Conservation Projects	**$20,125,000**
Commercial Retrofits	
High Efficiency Clothes Washers	
Commercial Landscape	
Ultra-low-flush/High-Efficiency Toilet Retrofits	
Weather-Based Irrigation Controllers	
Industrial Process Improvements	
Total	**$53,674,616**

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

Conveyance and Aqueduct Facilities

ALL PUMPING PLANTS - 230 KV & 69 KV DISCONNECTS REPLACEMENT
ALL PUMPING PLANTS - BRIDGE CRANES
ALL PUMPING PLANTS - TRANSFORMER BANK BRIDGE
ALLEN MCCOLLOCH PIPELINE - RIGHT OF WAY
ALLEN MCCOLLOCH PIPELINE - UPDATE / MODIFY ALL BOYLE ENGINEERING DRAWINGS
AQUEDUCT & PUMPING PLANT ISOLATION / ACCESS FIXTURES - STUDY
ARROWHEAD EAST TUNNEL CONSTRUCTION
ARROWHEAD TUNNELS CLAIMS COST
ARROWHEAD TUNNELS CONNECTOR ROAD
ARROWHEAD TUNNELS CONSTRUCTION
ARROWHEAD TUNNELS ENGINEERING
ARROWHEAD TUNNELS RE-DESIGN
ARROWHEAD WEST TUNNEL CONSTRUCTION
AULD VALLEY CONTROL STRUCTURE AREA FACILITIES UPGRADE STUDY
AUXILIARY POWER SYSTEM REHABILITATION / UPGRADES STUDY
BACHELOR MOUNTAIN COMMUNICATION SITE ACQUISITION
BACHELOR MOUNTAIN TELECOM SITE IMPROVEMENTS
BANK TRANSFORMERS REPLACEMENT STUDY
BLACK METAL MOUNTAIN - COMMUNICATIONS FACILITY UPGRADE
CABAZON RADIAL GATE FACILITY IMPROVEMENTS
CATHODIC PROTECTION STUDY - DESIGN AND CONSTRUCTION
CRA CONVEYANCE RELIABILITY PROGRAM (CCRP) - BLOW-OFF REPAIR
CCRP - BLOW-OFF VALVES PHASE 4 PROJECT
CCRP - CONTINGENCY
CCRP - EMERGENCY REPAIR
CCRP - HEADGATE OPERATORS & CIRCUIT BREAKERS REHAB.
CCRP - PART 1 & 2
CCRP - SAND TRAP CLEANING EQUIPMENT & TRAVELING CRANE STUDY
CCRP - TRANSITION & MAN-WAY ACCESS COVER REPLACEMENT - STUDY & DESIGN
CCRP - TUNNELS STUDY
CRA ELECTRICAL / POWER SYSTEM RELIABILITY PROGRAM (CEPSRP)
CEPSRP - ALL PUMPING PLANTS - CONTINGENCY & OTHER CREDITS
CEPSRP- ALL PUMPING PLANTS - IRON MOUNTAIN - 230KV BREAKER SWITCH. INST.
CEPSRP - ALL PUMPING PLANTS - REPLACE 6.9 KV TRANSFORMER BUSHINGS
CEPSRP - ALL PUMPING PLANTS - REPLACE 230KV , 69 KV & 6.9 KV LIGHTENING ARRESTERS
CEPSRP - ALL PUMPING PLANTS - REPLACE 230KV TRANSFORMER PROTECTION
CEPSRP - 230 KV SYSTEM SYNCHRONIZERS
CEPSRP - SWITCHYARDS & HEAD GATES REHABILITATION
COLORADO RIVER AQUEDUCT - PUMPING
CONTROL SYSTEM DRAWING UPGRADE STUDY (PHASE 1) - STUDY
COPPER BASIN AND GENE DAM OUTLET WORKS REHABILITATION (STUDY & DESIGN)
COPPER BASIN INTERIM CHLORINATION SYSTEM
COPPER BASIN OUTLET GATES RELIABILITY
COPPER BASIN POWER & PHONE LINES REPLACEMENT
CORROSION CONTROL OZONE MATERIAL TEST FACILITY
CRA - INVESTIGATION OF SIPHONS AND RESERVOIR OUTLETS
CRA - MAIN PUMP MOTOR EXCITERS
CRA - PUMPING PLANT RELIABILITY PROGRAM CONTINGENCY
CRA - RELIABILITY PROGRAM 230 KV & 69 KV DISCONNECTS REPLACEMENT STUDY (5 PLANTS)
CRA - RELIABILITY PROGRAM INVESTIGATION
CRA - CIRCULATING WATER SYSTEM STRAINER REPLACEMENT
CRA - CONTROL SYSTEM IMPLEMENTATION PHASE CLOSE OUT

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

Conveyance and Aqueduct Facilities (continued)

CRA - CUT & COVER FORNAT WASH EXPOSURE STUDY
CRA - LAKEVIEW SIPHON FIRST BARREL - REPAIR DETERIORATED JOINTS
CRA - MAIN PUMP STUDY
CRA - PUMPING PLANTS VULNERABILITY ASSESSMENT
CRA - PUMPING WELL CONVERSION
CRA - WEST PORTAL UPGRADE - REHAB OF STILLING WELL, SLIDE GATE OPERATORS AND RADIAL GATES
CRA - QUAGGA MUSSEL BARRIERS
CRA - RELIABILTY PHASE II CONTINGENCY
CRA - SERVICE CONNECTION DWCV-2T VALVES REPLACEMENT AND STRUCTURE CONSTRUCTION
CRA - SERVICE CONNECTION DWCV-4 A, B, C, & D PLUG VALVES REPLACEMENT
CRA - SIPHONS, TRANSITIONS, CANALS, AND TUNNELS REHABILITATION AND IMPROVEMENTS
CRA - SUPERVISORY CONTROL AND DATA ACQUISITION (SCADA) SYSTEM
CRA DISCHARGE CONTAINMENT PROGRAM - GENE & IRON DRAIN SYSTEMS
CRA DISCHARGE CONTAINMENT PROGRAM - INVESTIGATION
CRA DISCHARGE CONTAINMENT PROGRAM - OIL & CHEMICAL UNLOADING PAD CONTAINMENT
CRA DISCHARGE CONTAINMENT PROGRAM - CONTINGENCY
CRA PUMPING PLANT RELIABILITY PROGRAM - HIGH PRESSURE COMPRESSOR REPLACEMENT
CRA PUMPING PLANT RELIABILITY PROGRAM - SUCTION & DISCHARGE LINES EXPANSION JOINT STUDY
CRA RELIABILITY PROGRAM - DISCHARGE VALVE LUBRICATORS
CRA RELIABILITY PROGRAM - MOTOR BREAKER FAULTY CURRENT STUDY (5 PLANTS)
DANBY TOWER FOOTER REPLACEMENT
DESERT FACILITIES FIRE PROTECTION SYSTEMS UPGRADE
DESERT LAND ACQUISITIONS
DESERT PUMP PLANT OIL CONTAINMENT
DESERT ROADWAY IMPROVEMENT
DESERT SEPTIC SYSTEM
DESERT SEWER SYSTEM REHABILITATION
DESERT WATER TANK ACCESS - FIRE WATER, CIRCULATING WATER, DOMESTIC WATER- STUDY
DIEMER FILTRATION PLANT - METROPOLITAN/SCE HELIPAD LAND SITE
DISCHARGE LINE ISOLATION BULKHEAD COUPLINGS
DISTRIBUTION SYSTEM FACILITIES - REHABILITATION PROGRAM
DISTRIBUTION SYSTEM FACILITIES REHABILITATION PROGRAM - MAINTENANCE & STORAGE SHOP (PC-1)
DISTRIBUTION SYSTEM RELIABILITY PROGRAM - PHASE 2
E. THORNTON IBBETSON GUEST QUARTERS
EAGLE AND HINDS EQUIPMENT WASH AREA UPGRADE
EAGLE KITCHEN UPGRADE
EAGLE MOUNTAIN PUMPING PLANT SCADA SYSTEM
EAGLE MOUNTAIN SAND TRAPS STUDY
EAGLE MOUNTAIN SIPHONS SEISMIC VULNERABILITY STUDY
EAGLE ROCK ASPHALT REPAIR PROJECT
EAGLE ROCK MAIN ROOF REPLACEMENT
ETIWANDA RESERVOIR LINER REPAIR
FUTURE SYSTEM RELIABILITY PROJECTS
GARVEY RESERVOIR AUTOMATED DATA ACQUISITION SYSTEM
GENE PUMPING PLANT - AIR STRIP EXTENSION PROJECT
GENE PUMPING PLANT - HEAVY EQUIPMENT SERVICE PIT
GENE PUMPING PLANT - PEDDLER SUBSTATION REPLACEMENT
GENE PUMPING PLANT - SCADA SYSTEM
GENE STORAGE WAREHOUSE REPLACEMENT
HINDS PUMPING PLANT SCADA SYSTEM
INLAND FEEDER CONTINGENCY
INLAND FEEDER COST OF LAND AND RIGHT OF WAY

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

Conveyance and Aqueduct Facilities (continued)

INLAND FEEDER ENVIRONMENTAL MITIGATION
INLAND FEEDER GROUNDWATER MONITORING
INLAND FEEDER HIGHLAND PIPELINE CLAIMS COST
INLAND FEEDER HIGHLAND PIPELINE CONSTRUCTION
INLAND FEEDER HIGHLAND PIPELINE DESIGN
INLAND FEEDER MENTONE PIPELINE CONSTRUCTION
INLAND FEEDER MENTONE PIPELINE DESIGN
INLAND FEEDER MENTONE PIPELINE RUSD CONSTRUCTION
INLAND FEEDER OWNER CONTROLLED INSURANCE PROGRAM
INLAND FEEDER PROJECT MANAGEMENT SUPPORT
INLAND FEEDER PURCHASE OF LAND AND RIGHT OF WAY
INLAND FEEDER REVERSE OSMOSIS PLANT
INLAND FEEDER RIVERSIDE BADLANDS TUNNEL CONSTRUCTION
INLAND FEEDER RIVERSIDE NORTH PIPELINE DESIGN
INLAND FEEDER RUSD CLAIMS DEFENSE
INLAND FEEDER STUDIES
INSULATION JOINT TEST STATIONS
INTAKE PUMPING PLANT INSTRUMENTATION REPLACEMENT & AUTOMATION
INTAKE PUMPING PLANT INSTRUMENTATION REPLACEMENT & AUTOMATION (4 PLANTS)
INTAKE PUMPING PLANT POWER & COMMUNICATION LINE REPLACEMENT
INTAKE PUMPING PLANT SCADA SYSTEM
IRON MOUNTAIN PUMPING PLANT
IRON MOUNTAIN PUMPING PLANT SCADA SYSTEM
LAKE MATHEWS FOREBAY & HEADWORK FACILITY & EQUIPMENT
LAKE MATHEWS FOREBAY WALKWAY REPAIRS
LAKE MATHEWS INTERIM CHLORINATION SYSTEM
LAKE SKINNER - OUTLET CONDUIT FLOWMETER INSTALLATION
LAVERNE FACILITIES - EMERGENCY GENERATOR
LAVERNE FACILITIES - MATERIAL TESTING
MAGAZINE CANYON OIL & WATER SEPARATOR
MAPES LAND ACQUISTION
MILE 12 POWER LINE & FLOW MONITORING EQUIPMENT STUDY
MILLS FILTRATION PLANT - MODULE NO. 1 FILTER BED
NEWHALL TUNNEL - REPAIR STEEL LINER
NEWHALL TUNNEL - UPGRADE LINER SYSTEM
OLINDA PRESSURE CONTROL STRUCTURE FACILITY REHABILITATION AND UPGRADE
ORANGE COUNTY 44 SERVICE CONNECTIONS & EOC#2 METER ACCESS ROAD REPAIR
ORANGE COUNTY 88 PUMP PLANT FIRE PROTECTION STUDY
PALO VERDE VALLEY LAND PURCHASE - 16,000 ACRES
PALOS VERDES FEEDER REHABILITATION OF DOMINGUEZ CHANNEL
PALOS VERDES RESERVOIR SPILLWAY MODIFICATION
PUDDINGSTONE RADIAL GATE REHABILITATION
QUAGGA MUSSEL STUDY
RIALTO FEEDER REPAIR OF ANOMALOUS PIPE SECTION
RIVERSIDE BRANCH - ALESSANDRO BLVD. LEFT LAND TURN LANE
RIVERSIDE BRANCH - CONSTRUCTION OF CONTROL PANEL DISPLAY WALL
RIVERSIDE NORTH PIPELINE DESIGN & CONSTRUCTION
RIVERSIDE SOUTH PIPELINE CONSTRUCTION
SAN DIEGO PIPELINE REPAIR AT STATION 1268+57
SAN FERNANDO TUNNEL STATION 778+80 VALVE REPLACEMENT
SAN GABRIEL TOWER SEISMIC ASSESSMENT
SAN GABRIEL TOWER SLIDE GATE REHABILITATION

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description		
Conveyance and Aqueduct Facilities (continued)		
SAN JACINTO TUNNEL, WEST PORTAL		
SAN JOAQUIN RESERVOIR - NEW DESIGN		
SAN JOAQUIN RESERVOIR IMPROVEMENT- FLOATING COVER		
SAN JOAQUIN RESERVOIR IMPROVEMENTS		
SAN JOAQUIN RESERVOIR IMPROVEMENTS STUDY		
SANTA ANA RIVER BRIGDE SEISMIC RETROFIT		
SANTIAGO TOWER ACCESS ROAD UPGRADE		
SANTIAGO TOWER PATROL ROAD REPAIR		
SECOND LOWER FEEDER CARBON FIBER REPAIRS		
SECURITY FENCING AT OC-88 PUMPING PLANT		
SEISMIC UPGRADE OF 11 FACILITIES OF THE CONVEYANCE & DISTRIBUTION SYSTEM		
SERVICE CONNECTION & EOCF #2 METER ACCESS ROAD UPGRADE & BETTERMENT		
SKINNER FILTRATION PLANT - 1P2		
SKINNER FILTRATION PLANT HELIPAD UPGRADE		
TEMESCAL HYDRO-ELECTRIC PLANT ACCESS ROAD UPGRADE		
U.S. BUREAU OF LAND MANAGEMENT LAND ACQUISITION		
UPPER FEEDER CATHODIC PROTECTION SYSTEM		
UPPER FEEDER LEAKING EXPANDSION JOINT REPAIR		
UPPER FEEDER SCHEDULES 2S		
VALLEY BRANCH - PIPELINE CORROSION TEST STATION		
WEST VALLEY FEEDER #2 CATHODIC PROTECTION SYSTEM REHABILITATION		
WEYMOUTH FILTRATION PLANT CHLORINE UNLOADING		
WHITEWATER SIPHON PROTECTION STRUCTURE		
Sub-Total Conveyance and Aqueduct Facilities Benefits	**$**	**60,933,079**

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

Distribution Facilities

ACCUSONIC FLOW METER UPGRADE
ALAMEDA CORRIDOR PIPELINE
ALL FACILITIES - WATER DISCHARGE ELIMINATION
ALL FACILITIES INSPECTION AND REPLACEMENT OF CRITICAL VACUUM VALVES
ALL PUMPING PLANTS - INSTALL HYPOCHLORINATION STATIONS
ALLEN MCCOLLOCH PIPELINE INTERCONNECTIONS
ALLEN MCCOLLOCH PIPELINE LOCAL CONTROL MODIFICATIONS
ALLEN MCCOLLOCH PIPELINE REPAIR
ALLEN MCCOLLOCH PIPELINE REPAIR - CARBON FIBER LINING REPAIR
ALLEN MCCOLLOCH PIPELINE REPAIR - SERVICE CONNECTIONS UPGRADES
ALLEN MCCOLLOCH PIPELINE REPAIR - STATION 276+63
ALLEN MCCOLLOCH PIPELINE REPAIR - SURGE SUPPRESSION SYSTEM AT OC88A
ALLEN MCCOLLOCH PIPELINE REPAIR - VALVE ACTUATOR REPLACEMENTS
ALLEN MCCOLLOCH PIPELINE REPAIR SERVICE CONNECTIONS SIMPLIFICATION
ALLEN MCCOLLOCH PIPELINE STRUCTURE - ROOF SLAB REPAIRS
ALLEN-MCCOLLOCH PIPELINE
ANODE WELL REPLACEMENT FOR ORANGE COUNTY AND RIALTO FEEDERS
ASSESS THE CONDITION OF METROPOLITAN'S PRESTRESSED CONCRETE CYLINDER PIPE
AUTOMATED RESERVOIR WATER QUALITY MONITORING
AUTOMATIC METER READING SYSTEM - RTU UPGRADE PHASE 2
AUTOMATIC METER READING SYSTEM UPGRADE
AUTOMATION DOCUMENTATION SURVEY F/A
BAR 97- ENHANCED AREA VEHICLE TESTING
BOX SPRINGS FEEDER BROKEN BACK REPAIR
BOX SPRINGS FEEDER REPAIR - PHASE II
C&D CRANE INSTALLATION AT OC-88 PUMPING PLANT
CALABASAS FEEDER CARBON FIBER /BROKEN BACK REPAIR
CASA LOMA AND SAN DIEGO CANAL LINING STUDY - PART 2
CATHODIC PROTECTION SYSTEM UPGRADES
CENTRAL POOL AUGMENTATION - TUNNEL AND PIPELINE & RIGHT-OF-WAY ACQUISITION
CENTRAL POOL AUGMENTATION AND WATER QUALITY PROJECT (CPAWQP)
CPAWQP - PHASE 2
CPAWQP - STUDY AND LAND ACQUISITION - CONTINGENCY
CPAWQP - STUDY AND LAND ACQUISITION - PIPELINE & TUNNEL ALIGNMENT - STUDY
CPAWQP - STUDY AND LAND ACQUISITION - RIGHT-OF-WAY-ACQUISITION
CPAWQP - STUDY AND LAND ACQUISITION - WATER TREATMENT PLANT - RIGHT OF WAY - PHASE 2
CPAWQP - STUDY AND LAND ACQUISITION - WATER TREATMENT PLANT - STUDY
CHEMICAL INVENTORY AND USAGE REWRITE AND ELECTRICAL. SYSTEM LOG
CHEMICAL UNLOADING FACILITY RETROFIT
CHEVALIER FALCON MILLING MACHINE
COASTAL JUNCTION REVERSE FLOW BYPASS
COMMUNICATIONS STRUCTURE ALARM MONITORING
CONTRACT & LITIGATION TASKS -CONTRACT # 1396
CONTROL SYSTEM DATA STORAGE AND REPORTING
CONTROL SYSTEM DRAWING & DOCUMENTATION UPDATE
CONTROL SYSTEM ENHANCEMENT PROGRAM (CSEP) - DIGITAL SUBNET STANDARDIZATION
CONTROL SYSTEMS AUTOMATION COMMUNICATION UPGRADE
CSEP - ELECTRONIC SYSTEM LOG (ESL)
CSEP - ENERGY MANAGEMENT SYSTEM PHASE II
CSEP - ENHANCED DISTRIBUTION SYSTEM CONTROL PROJECT
CSEP - OPERATIONS & BUSINESS DATA INTEGRATION PILOT
CSEP - PLANT INFLUENT REDUNDANT FLOW METERING AND SPLITTING

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

Distribution Facilities (continued)

CSEP - PLC PHASE 2 - LIFE-CYCLE REPLACEMENT
CSEP - PLC STANDARDIZATION
CSEP - PLC STANDARDIZATION PHASE II
CSEP - POWER MANAGEMENT SYSTEM
CSEP- SMART OPS (FORMERLY REAL TIME OPERATIONS SIMULATION)
CSEP - WATER PLANNING APPLICATION
CSEP - IMPLEMENTATION
CONTROLS COMMUNICATIONS FRAME RELAY CONVERSION - APPROPRIATED
CONVERSION OF DEFORMATION SURVEY MONITORING AT GENE WASH, COPPER BASIN, AND DIEMER BASIN 8
CONVEYANCE AND DISTRIBUTION SYSTEM REHABILITATION PROGRAM (CDSRP) - CURRENT DRAIN STATIONS
CDSRP - DISCHARGE ELIMINATION
CDSRP - ENTRAINED AIR IN UPPER FEEDER PIPELINE STUDY
CDSRP - SEPULVEDA FEEDER REPAIRS
CDSRP - SEPULVEDA TANKS RECOATING
COPPER BASIN SEWER SYSTEM
CORROSION MATERIALS TESTING FACILITY SCADA UPGRADE
COVINA PRESSURE CONTROL FACILITY
CRA CABAZON & POTRERO SHAFT COVERS
CRA CONTROL INTEGRATION
DAM REHABILITATION & SAFETY IMPROVEMENTS ST. JOHN'S CANYON CHANNEL EROSION MITIGATION
DANBY TOWER FOUNDATION INVESTIGATION AND SHORT TERM MITIGATION
DEODERA PCS PAVEMENT UPGRADE & BETTERMENT
DESERT BRANCH PUMP PLANT AUXILIARY (STATION SERVICE)
DESERT BRANCH, PURCHASE & INSTALL 5 PORT VIDEO CONFERENCING
DESERT FACILITIES DOMESTIC WATER GAC SYSTEM INSTALLATION
DESERT HIGH VOLTAGE TRANSMISSION TOWERS - REPLACE COPPER GROUND WIRES ON
DIEMER AREA & PLANT - REPLACEMENT OF AREA CONTROL SYSTEMS
DIEMER FILTRATION PLANT - AIR COMPRESSORS REPLACEMENT
DIEMER FILTRATION PLANT - ASPHALT
DIEMER FILTRATION PLANT - ASPHALT ROAD REPAIRS
DFP - ELIMINATE BACKUP GENERATOR TIE-BUS & INSTALL MANUAL TRANSFER SWITCH FOR CHLORINE SCRUBBER
DIEMER FILTRATION PLANT - EMERGENCY POWER FEED
DIEMER FILTRATION PLANT - NORTH STORM DRAIN REPLACEMENT
DIEMER FILTRATION PLANT - ON-LINE TURBIDITY
DIEMER FILTRATION PLANT - SLOPE REPAIR
DIEMER FILTRATION PLANT - SLUDGE DEWATERING/DISPOSAL STUDY
DIEMER FILTRATION PLANT - SLUDGE LINE & STORM
DIEMER FILTRATION PLANT - USED WASHWATER RETURN PUMP CHECK VALVES UPGRADE
DIEMER FILTRATION PLANT - WASTE WATER DISCHARGE SYSTEM
DISTRIBUTION SYSTEM REPLACEMENT OF AREA CONTROL SYSTEMS - WILLOWGLEN RTUS ADMINISTRATION
DISTRIBUTION SYSTEM - STANDPIPE STRENGTHENING PROGRAM
DISTRIBUTION SYSTEM - STATIONARY CORROSION REFERENCE
DISTRIBUTION SYSTEM CONTROL & EQUIP UPGRADE - ENHANCED DISTRIB. SYSTEM AUTOMATION PHASE I
DISTRIBUTION SYSTEM EQUIPMENT & INSTRUMENTATION UPGRADES
DISTRIBUTION SYSTEM REHABILITATION PROGRAM - ASSESS THE STATE OF MWD'S DISTRIBUTION SYSTEM
DISTRIBUTION SYSTEM REPLACEMENT OF AREA CONTROL SYSTEMS (DSRACS)
DSRACS - OPERATIONS CONTROL CENTER - CONTRACT #1396
DSRACS - SKINNER AREA
DSRACS - SOFTWARE DEVELOPMENT COST
DSRACS - WEYMOUTH
DVL & CONTROL SYSTEM REPLACEMENT INVESTIGATION & PREPARATION FOR PRELIMINARY DESIGN
EAGLE EQUIPMENT WASH AREA UPGRADE

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

Distribution Facilities (continued)

EAGLE ROCK LATERAL INTERCONNECTION REPAIR
EAGLE ROCK MAIN BUILDING ROOF REPLACEMENT - STUDY
EAGLE ROCK OPERATIONS CONTROL CENTER
EAGLE ROCK RESIDENCE CONVERSION
EAGLE ROCK TOWER SLIDEGATE REHABILITATION
EAST INFLUENT CHANNEL REPAIR PROJECT
EAST ORANGE COUNTY FEEDER #2 REPAIR
ETIWANDA CAVITATION TEST FACILITY COMMUNICATION AND CONTROL SYSTEM REPLACEMENT
ETIWANDA HEP NEEDLE VALVE OPERATORS
ETIWANDA PIPELINE AND CONTROL FACILITY - RIGHT OF WAY
ETIWANDA PIPELINE AND CONTROL FACILITY - AS BUILTS
ETIWANDA PIPELINE AND CONTROL FACILITY - CATHODIC PROTECTION
ETIWANDA PIPELINE AND CONTROL FACILITY - EMERGENCY DISCHARGE CONDUITS
ETIWANDA PIPELINE AND CONTROL FACILITY - LANDSCAPING AND IRRIGATION
ETIWANDA PIPELINE AND CONTROL FACILITY - RESIDENCES
ETIWANDA PIPELINE AND CONTROL FACILITY - RIALTO FEEDER TO UPPER PIPELINE
ETIWANDA RESERVOIR - EXTEND OUTLET STRUCTURE
ETIWANDA / RIALTO PIPELINE INTER-TIE CATHODIC PROTECTION
FACILITY AND PROCESS RELIABILITY ASSESSMENT
FILTER ISOLATION GATE AND BACKWASH CONTROL WEIR COVERS MODULES 1- 6
FLOWMETER MODIFICATION - LAKE SKINNER INLET, ETIWANDA EFFLUENT & WADSWORTH CROSS CHANNEL
FOOTHILL FEEDER ADEN AVE. REHABILITATION
FOOTHILL FEEDER CARBON FIBER REPAIR
FOOTHILL FEEDER CATHODIC PROTECTION
FOOTHILL FEEDER POWER PLANT EXPANSION
FOOTHILL FEEDER REPAIR @ SANTA CLARITA RIVER
FOOTHILL HYDROELECTRIC RUNNER REPLACEMENT
FOOTHILL PCS - UNINTERRUPTIBLE POWER SOURCE SYSTEMS INSTALLATION
FOOTHILL PCS FLOOD PUMP INSTALLATION DESIGN DOCUMENTATION
FUTURE SYSTEM RELIABILITY PROGRAM
GARVEY RESERVOIR - HYPOCHLORITE FEED SYSTEM
GARVEY RESERVOIR - INSTALL HYPOCHLORINATION STATIONS
GARVEY RESERVOIR - LOWER ACCESS PAVING ROAD & DRAINS
GENE & IRON POOLS
GENE AIR CONDITIONING SYSTEM REPLACEMENT
GENE MESS HALL AIR CONDITIONING UNIT
GENE SPARE PARTS WAREHOUSE IMPROVEMENTS
GREG AVENUE CONTROL STRUCTURE VALVE REPLACEMENT
GREG AVENUE PCS CONTROL BUILDING INTERIOR REHABILITATION
HINDS GARAGE ASBESTOS SHEETING REPLACEMENT
HYDROELECTRIC PLANT CARBON DIOXIDE (CO2) FIRE SUPPRESSION SYSTEM MODIFICATIONS
INLAND PCSUST REMOVAL & AST INSTALLATION
INSTALL MOTION SENSORS IN NEW EXPANSION
INSTALL TEST LEADS AT FOUR LOCATIONS
INSULATION JOINT TEST STATIONS
IRON MOUNTAIN - TRANSFORMER OIL TANK RELOCATION
JENSEN DISTRIBUTION SYSTEM - REPLACEMENT OF AREA CONTROL SYSTEMS - CONTRACT # 1396
JENSEN FILTRATION PLANT - AUTOMATION OF EXISTING WASHWATER/SLUDGE PROCESSING
JENSEN FILTRATION PLANT - EJECTOR NOISE ABATEMENT
JENSEN FILTRATION PLANT - FIRE SYSTEM FOR NAOCI SYSTEM
JENSEN FILTRATION PLANT - FIRE WATER LOOP PRESSURE UPGRADE
JENSEN FILTRATION PLANT - ICC ASBESTOS ABATEMENT

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description
Distribution Facilities (continued)
JENSEN FILTRATION PLANT - INSTALL INFLUENT SCUPPER GATES
JENSEN FILTRATION PLANT - MODIFICATIONS AT WASHWATER INTERCONNECTION
JENSEN FILTRATION PLANT - PRESSURE INDICATION AT COOLING WATER PUMPS
JENSEN FILTRATION PLANT - RELOCATE AMMONIA
JENSEN FILTRATION PLANT - REPLACE ADMINISTRATION BUILDING AIR CONDITIONING
JENSEN FILTRATION PLANT - ROAD RECONSTRUCTION
JENSEN FILTRATION PLANT - SANDBLASTING BOOTH PURCHASE & INSTALLATION
JENSEN FILTRATION PLANT - TRAVELING BRIDGE RETROFIT MODULE 2 & 3
JENSEN FILTRATION PLANT - WTP PROTECTION BOLLARDS
LA-35 DISCHARGE STRUCTURE REPAIRS
LA VERNE FACILITIES - BRIDGEPORT E-2-PATH
LA VERNE FACILITIES - ENERGY CONSERVATION ECM1 - 10
LA VERNE FACILITIES - EXPANSION OF THE SANITARY SEWER
LA VERNE FACILITIES - HAZARDOUS WASTE STORAGE
LA VERNE FACILITIES - MAIN TRANSFORMERS REPLACEMENT
LA VERNE FACILITIES - MATERIALS TESTING LABORATORY
LA VERNE FACILITIES - REPLACEMENT OF FLOCCULATOR STUB SHAFT - BASINS 1 & 2
LA VERNE MACHINE SHOP - AIR CONDITIONING UNIT REPLACEMENT
LA VERNE MACHINE SHOP - REPAIR HORIZONTAL BORING MILL
LAKE MATHEWS - RENOVATION OF BLDGS. 8 & 15, GENERAL ASSEMBLY & ADMIN. BLDG. OFFICE AREAS
LAKE MATHEWS - CONSTRUCTION OF BACKUP COMPUTER FACILITIES
LAKE MATHEWS - DIVERSION TUNNEL WALKWAY REPAIR
LAKE MATHEWS - FACILITY WIDE EMERGENCY WARNING AND PAGING SYSTEM
LAKE MATHEWS - FOREBAY MCC ROOF IMPROVEMENT
LAKE MATHEWS - MAIN DAM TOE SEEPAGE COLLECTION
LAKE MATHEWS - MULTIPLE SPECIES MANAGER'S OFFICE & RESIDENCE
LAKE MATHEWS - RETROFIT LOWER ENTRANCE GATE SWING ARM
LAKE PERRIS EMERGENCY STANDBY GENERATOR AND TRANSFER SWITCH REPLACEMENT
LAKE SKINNER - AERATOR AIR COMPRESSOR REPLACEMENT
LAKE SKINNER - OUTLET TOWER VALVE REHABILITATION
LAKE SKINNER - REPLACEMENT AERATOR RING
LAKEVIEW PIPELINE - REPLACE VACUUM/AIR RELEASE
LAKEVIEW PIPELINE CATHODIC PROTECTION SYSTEM
LOWER FEEDER - CATHODIC PROTECTION
MICROWAVE COMMUNICATION SITES BUILDING UPGRADE
MIDDLE CROSS FEEDER CATHODIC PROTECTION
MIDDLE FEEDER - CATHODIC PROTECTION SYSTEMS
MIDDLE FEEDER - NORTH CATHODIC PROTECTION SYSTEM
MILLS COMBINED FILTER EFFLUENT MIXING BAFFLE WALL RETROFIT
MILLS FILTRATION PLANT - ADMINISTRATION BUILDING INSTALL
MILLS FILTRATION PLANT - CONSTRUCT V DITCH
MILLS FILTRATION PLANT - INFLUENT CONTROL STRUCTURE LADDER UPGRADE
MILLS FILTRATION PLANT - INVESTIGATION TO RELOCATE ACCESS ROAD
MILLS FILTRATION PLANT - MAINTENANCE CENTER BACKUP GENERATOR RELOCATION
MILLS FILTRATION PLANT - REPLACEMENT OF AREA CONTROL SYSTEMS
MWD ROAD GUARDRAIL
OLINDA PRESSURE CONTROL STRUCTURE
ON-CALL RESOURCES MANAGEMENT APPLICATION
OPERATIONS CONTROL CENTER AT EAGLE ROCK
ORANGE COUNTY - 88 PUMP PLANT AIR COMPRESSOR UPGRADE
ORANGE COUNTY - 88 SECURITY FENCING AT PUMP PLANT
ORANGE COUNTY FEEDER INTERNAL INSPECTION STUDY

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

Distribution Facilities (continued)

ORANGE COUNTY FEEDER PRESSURE CONTROL STRUCTURES
ORANGE COUNTY FEEDER STA 1920+78 BLOWOFF STRUCTURE & RIP-RAP REPAIRS
ORANGE COUNTY RESERVOIR - INSTALL HYPOCHLORINATION STATIONS
ORANGE COUNTY RESERVOIR - PIEZOMETERS & SEEPAGE MONITORING AUTOMATION
OXIDATION DEMONSTRATION PLANT CONTROL SYSTEM REPLACEMENT
PALOS ALTOS FEEDER - 108TH ST.
PALOS VERDES FEEDER PCS - VALVE REPLACEMENT
PALOS VERDES RESERVOIR - INSTALL HYPOCHLORINATION STATIONS
PC-1 EFFLUENT OPEN CHANNEL TRASH RACK PROJECT
PERMANENT LEAK DETECTION/PIPELINE MONITORING SYSTEM
PERRIS PCS - UNINTERRUPTIBLE POWER SOURCE SYSTEMS INSTALLATION
PERRIS PUMPBACK COVER
PERRIS VALLEY PIPELINE - RESERVED FOR STAGE II DESIGN / BUILD
PERRIS VALLEY PIPELINE - DESIGN-BUILD (EMWD)
PERRIS VALLEY PIPELINE - NORTH REACH
PERRIS VALLEY PIPELINE - SOUTH REACH
PERRIS VALLEY PIPELINE - STUDY
PERRIS VALLEY PIPELINE - TIE-IN (WMWD)
PERRIS VALLEY PIPELINE - VALVES
PLACENTIA RAILROAD LOWERING PROJECT
PRESTRESSED CONCRETE CYLINDER PIPE - PHASE 2
PUDDINGSTONE SPILLWAY CROSS CONNECTION
RED MOUNTAIN HEP FLOOD DAMAGE
RELOCATION OF ORANGE COUNTY FEEDER
RELOCATION OF PORTION OF ORANGE COUNTY FEEDER (MWD'S SHARE)
REPLACE 2 FIRE & DOMESTIC WATER SYSTEM
REPLACE COMMUNICATION LINE TO THE SAN GABRIEL CONTROL TOWER
REPLACE VALVE POSITION INDICATORS
RIALTO FEEDER BROKEN BACK REPAIR
RIALTO FEEDER VALVE STRUCTURE
RIALTO FEEDER, REPAIRS AT SELECT LOCATIONS, STUDY
RIALTO PIPELINE - CONSTRUCTION PHASE 1
RIALTO PIPELINE - CONSTRUCTION PHASE 2
RIALTO PIPELINE IMPROVEMENTS - CONSTRUCTION PHASE III
RIALTO PIPELINE IMPROVEMENTS - DESIGN PHASE 2
RIALTO PIPELINE IMPROVEMENTS - DESIGN PHASE 3
RIALTO PIPELINE IMPROVEMENTS - VALVE PROCUREMENT
RIALTO PIPELINE IMPROVEMENTS - CONSTRUCTION
RIALTO PIPELINE IMPROVEMENTS - FINAL DESIGN
RIALTO PIPELINE REPAIRS AT STATION 3198+44
ROBERT B. DIEMER FILTRATION PLANT - LAND ACQUISITION
SAN DIEGO CANAL - PIEZOMETER
SAN DIEGO CANAL - EAST & WEST BYPASS SCREENING STRUCTURES STUDY
SAN DIEGO CANAL - ELECTRICAL VAULT & CONDUCTOR REPLACEMENT
SAN DIEGO CANAL - FENCING
SAN DIEGO CANAL - INSTALL ACOUSTIC FLOW METER
SAN DIEGO CANAL - REPLACE SODIUM BISULFATE TANK
SAN DIEGO CANAL - SEEPAGE STUDY
SAN DIEGO CANAL WEST BYPASS TRASH RACK
SAN DIEGO PIPELINE #4 VALVE REPLACEMENT
SAN DIEGO PIPELINE 1 BLOW-OFF VALVE REPLACEMENT
SAN DIEGO PIPELINE 5 & LAKE SKINNER OUTLET REPAIR

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

Distribution Facilities (continued)

SAN DIEGO PIPELINE NO. 3 BYPASS
SAN DIEGO PIPELINE NO. 6 - RIVERSIDE BRANCH - ETIWANDA FACILITY/DROP INLET STRUCTURE
SAN DIEGO PIPELINE NO. 6 - RIVERSIDE BRANCH - PLEASANT PEAK, COMMUNICATIONS
SAN DIEGO PIPELINE NO. 6 - RIVERSIDE TUNNEL CONSTRUCTION - AS BUILT
SAN DIEGO PIPELINE NO. 6 - RIVERSIDE TUNNEL COST OF RIGHT OF WAY (OPTIONAL PORTAL SITE)
SAN DIEGO PIPELINE NO. 6 - RIVERSIDE TUNNEL ENVIRONMENTAL CONSTRUCTION
SAN DIEGO PIPELINE NO. 6 - RIVERSIDE TUNNEL ENVIRONMENTAL PRELIMINARY DESIGN
SAN DIEGO PIPELINE NO. 6 - RIVERSIDE TUNNEL PRELIMINARY DESIGN
SAN DIEGO PIPELINE NO. 6 - RIVERSIDE TUNNEL PROGRAM MANAGEMENT
SAN DIEGO PIPELINE NO. 6 - RIVERSIDE TUNNEL RIGHT OF WAY PRELIMINARY DESIGN
SAN DIEGO PIPELINE NO. 6 - CONTRACT NO.1 SAN DIEGO CANAL TO MOUNT OLYMPUS
SAN DIEGO PIPELINE NO. 6 - CONTRACT NO.2 MOUNT OLYMPUS TUNNEL & PORTALS
SAN DIEGO PIPELINE NO. 6 - NORTH REACH CONSTRUCTION - AS BUILT
SAN DIEGO PIPELINE NO. 6 - NORTH REACH ENVIRONMENTAL - CONSTRUCTION
SAN DIEGO PIPELINE NO. 6 - NORTH REACH ENVIRONMENTAL PRELIMINARY DESIGN
SAN DIEGO PIPELINE NO. 6 - NORTH REACH FINAL DESIGN & ADV/NTP
SAN DIEGO PIPELINE NO. 6 - NORTH REACH POST DESIGN
SAN DIEGO PIPELINE NO. 6 - NORTH REACH PRELIMINARY DESIGN
SAN DIEGO PIPELINE NO. 6 - NORTH REACH PROGRAM MANAGEMENT - CONSTRUCTION
SAN DIEGO PIPELINE NO. 6 - NORTH REACH PROGRAM MANAGEMENT - DESIGN
SAN DIEGO PIPELINE NO. 6 - NORTH REACH RIGHT OF WAY FINAL DESIGN
SAN DIEGO PIPELINE NO. 6 - NORTH REACH RIGHT OF WAY PRELIMINARY DESIGN
SAN DIEGO PIPELINE NO. 6 - NORTHERN PIPELINE COST OF RIGHT OF WAY
SAN DIEGO PIPELINE NO. 6 - NORTHERN REACH ENVIRONMENTAL FINAL DESIGN
SAN DIEGO PIPELINE NO. 6 - PIPELINE/TUNNEL STUDY - DESIGN
SAN DIEGO PIPELINE NO. 6 - PIPELINE/TUNNEL STUDY - ENVIRONMENTAL
SAN DIEGO PIPELINE NO. 6 - PIPELINE/TUNNEL STUDY - PROJECT MANAGEMENT
SAN DIEGO PIPELINE NO. 6 - PIPELINE/TUNNEL STUDY - RIGHT OF WAY
SAN DIEGO PIPELINE NO. 6 - PROJECT MANAGEMENT
SAN DIEGO PIPELINE NO. 6 - RIGHT OF WAY
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH - PROGRAM MANAGEMENT
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH / TUNNEL STUDY
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH CONSTRUCTION / AS BUILT
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH COST OF RIGHT OF WAY
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH ENVIRONMENTAL - CONSTRUCTION
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH ENVIRONMENTAL FINAL DESIGN
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH ENVIRONMENTAL PRELIMINARY DESIGN
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH FINAL DESIGN/ADV
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH PRELIMINARY DESIGN
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH RIGHT OF WAY FINAL DESIGN
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH RIGHT OF WAY PRELIMINARY DESIGN
SAN DIEGO PIPELINE NO. 6 - SOUTH REACH TUNNEL ALIGNMENT ANALYSIS
SAN DIEGO PIPELINE NO. 6 AREA STUDY
SAN DIEGO PIPELINE NO. 6 ENVIRONMENTAL MITIGATION
SAN DIEGO PIPELINE NO.4 & AULD VALLEY PIPELINE CARBON FIBER REPAIR STUDY
SAN DIMAS HEP BATTERY BANK AND GENERATOR BREAKER
SAN DIMAS PCS - UNINTERRUPTIBLE POWER SOURCE SYSTEMS INSTALLATION
SAN FRANCISQUITO PIPELINE BLOW OFF STRUCTURE, STA 287+70, ACCESS ROAD CONSTRUCTION
SAN GABRIEL TOWER SLIDE GATE REHABILITATION
SAN GABRIEL TOWER SLIDE GATE REHABILITATION
SAN JACINTO #1 AND #2 CASA LOMA FAULT CROSSING STRUCTURE UPGRADE
SAN JOAQUIN RELIEF STRUCTURE FOR EASTERN ORANGE COUNTY FEEDER #2

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description

Distribution Facilities (continued)

SAN JOAQUIN RESERVOIR, INSTALL BULKHEAD
SANTA MONICA FEEDER RELOCATION
SANTA MONICA FEEDER STATION 495+10 REHABILITATION
SANTIAGO LATERAL REPLACE MOTOR - OPERATED VALVE
SCADA SYSTEM HARDWARE UPGRADE
SCADA SYSTEM NT SOFTWARE UPGRADE
SCADA SYSTEM SUPPORT PROGRAMS
SECOND LOWER & SEPULVEDA FEEDERS SCI DRAIN STATIONS
SECOND LOWER CROSS FEEDER - VALVE PROCUREMENT
SECOND LOWER CROSS FEEDER CONSTRUCTION
SECOND LOWER CROSS FEEDER FINAL DESIGN
SECOND LOWER FEEDER - INSTALL LINER
SECOND LOWER FEEDER PCCP REPAIRS
SELECTED PRESSURE REPLACE VALVE POSITION INDICATORS
SEPULVEDA PCS - PERIMETER ASPHALT REPAIRS
SKINNER BRANCH - AIR INJECTION MODIFICATIONS TO RED MOUNTAIN POWER PLANT
SKINNER BRANCH - CASA LOMA CANAL
SKINNER BRANCH - CASA LOMA SIPHON BARREL ONE
SKINNER BRANCH - CATWALK FOR TRAVELING MAINTENANCE BRIDGE FOR
SKINNER BRANCH - FABRICATE & REPLACE THE STEMS, NUTS & KEYS
SKINNER BRANCH - REPAIR MODULE 1 AND 2 FLOCCULATORS BRIDGES
SKINNER DISTRIBUTION SYSTEM - CONTRACT # 1396
SKINNER FILTRATION PLANT - CHLORINE MASS FLOW METERS
SKINNER FILTRATION PLANT - EFFLUENT WATER QUALITY BLDG
SKINNER FILTRATION PLANT - ELEVATED SLAB IN SERVICE BLDG 1
SKINNER FILTRATION PLANT - FERRIC CHLORIDE RETROFIT
SKINNER FILTRATION PLANT - INSULATING FLANGES AT PLANT 1 BUTTERFLY VALVES
SKINNER FILTRATION PLANT - LOADING RAMPS AT AND PC-1
SKINNER FILTRATION PLANT - MODULES 1 & 2 TRAVELING BRIDGES SOLIDS PUMPS
SKINNER FILTRATION PLANT - ON-LINE FILTER PROCESS
SKINNER FILTRATION PLANT - PERIMETER FENCING
SKINNER FILTRATION PLANT - REPLACE AIR COMPRESSOR
SKINNER FILTRATION PLANT - REPLACEMENT FOR WETCELL BATTERY AND INVERTER
SKINNER FILTRATION PLANT - REPLACEMENT OF AREA CONTROL SYSTEMS
SKINNER FILTRATION PLANT - SAMPLE LINE FOR INFLUENT CONDUIT # 2
SKINNER FILTRATION PLANT - SCADA SERVERS RELOCATION
SKINNER FILTRATION PLANT - THICKENERS PUMPS REPLACEMENT
SKINNER FILTRATION PLANT SEISMIC
SOTO STREET FACILITY - BUILDING SEISMIC UPGRADE
SOTO STREET FACILITY - REPLACE HEATING
SOTO STREET FACILITY - ROOF REPLACEMENT
SPECIAL SERVICE BRANCH - REPLACE PLATE BENDING
SYSTEM RELIABILITY PROGRAM
UNDER GROUND STORAGE TANK DISPENSER SPILL CONTAINMENT & REMEDIATION
UPGRADE SUNSET GARAGE
TWO-WAY RADIO ENHANCEMENT - EMERGENCY SERVICES, FIRE CONTROL, EVACUATION & BLDG. MAINT.
UPPER FEEDER - SANTA ANA RIVER BRIDGE REPAIRS
UTILITY BUSINESS ARCHITECTURE (OBJECT MAPPING/MODELING)
VALLEY & LOS ANGELES DISTRIBUTION VALVE POSITION DISPLAY UPGRADE
VIDEO CONFERENCE SYSTEM UPGRADE
WADSWORTH PUMPING PLANT CONDUIT REPAIR AND PROTECTION
WATER DELIVERY SYSTEM AUTOMATION

TABLE 3

CONVEYANCE AND DISTRIBUTION SYSTEM BENEFITS

Description		
Distribution Facilities (continued)		
WATER QUALITY - REMOTE MONITORING		
WATER QUALITY LABORATORY BUILDING EXPANSION		
WATER TREATMENT PROCESS OPTIMIZATION		
WEST COAST FEEDER - CATHODIC PROTECTION SYSTEMS		
WEST VALLEY AREA STUDY		
WEST VALLEY FEEDER NO. 1 ACCESS ROADS AND STRUCTURES IMPROVEMENTS		
WEST VALLEY FEEDER NO. 1 VALVE STRUCTURE MODIFICATIONS		
WEYMOUTH DISTRIBUTION SYSTEM - REPLACEMENT OF AREA CONTROL SYSTEMS - CONTRACT #1396		
WEYMOUTH FILTRATION PLANT - 140" EFFLUENT CONDUIT ROOF REPAIR		
WEYMOUTH FILTRATION PLANT (WFP) - AREA CONTROL SYSTEM REPLACEMENT		
WFP - ASPHALT REHABILITATION		
WFP - BASIN SLUDGE PUMP FLUSHING		
WFP - COMPRESSED AIR SYSTEM IMPROVEMENT		
WFP - DOMESTIC WATER PUMP UPGRADE		
WFP - DRY POLYMER		
WFP - EFFLUENT CHLORINE INJECTION		
WFP - LAND ACQUISITION		
WFP - PURCHASE OF REAL PROPERTY		
WFP - REPAIR TO BLDG # 1		
WFP - REPLACE ACTUATORS/OPERATORS/ MOTORS FOR EFFLUENT VALVE CONVERSION FILTER BEDS 1-24		
WFP - WASHWATER RECLAMATION (WWRP)		
YORBA LINDA FEEDER - STA 924+11 PORTAL ACCESS		
YORBA LINDA FEEDER BYPASS		
Sub-Total Distribution Facilities Benefits	**$**	**54,975,296**
Total Conveyance and Distribution Facilities Benefits	**$**	**115,908,375**

TABLE 4

FISCAL YEAR 2008/09

ESTIMATED READINESS-TO-SERVE CHARGE REVENUE

Member Agency		Amount
Anaheim	$	1,066,292
Beverly Hills		688,440
Burbank		672,631
Calleguas MWD		5,644,911
Central Basin MWD		3,390,093
Compton		185,352
Eastern MWD		4,136,813
Foothill MWD		568,262
Fullerton		472,189
Glendale		1,335,006
Inland Empire Utilities Agency		2,850,393
Las Virgenes MWD		1,151,584
Long Beach		1,963,833
Los Angeles		12,294,233
Municipal Water District of Orange County		11,786,664
Pasadena		1,127,924
San Diego County Water Authority		24,889,319
San Fernando		6,678
San Marino		55,387
Santa Ana		684,405
Santa Monica		661,473
Three Valleys MWD		3,710,632
Torrance		1,115,417
Upper San Gabriel Valley MWD		716,771
West Basin MWD		7,578,555
Western MWD		3,246,743
Total	$	92,000,000

TABLE 5

FISCAL YEAR 2008/09
ESTIMATED STANDBY CHARGE REVENUE

Member Agencies	Total Parcel Charge	Number Of Parcels Or Acres	Gross Revenues (Dollars) [1]
Anaheim	$ 8.55	69,335	$ 592,813
Beverly Hills	$ -	-	$ -
Burbank	$ 14.20	28,789	$ 408,804
Calleguas MWD	$ 9.58	256,168	$ 2,454,085
Central Basin MWD	$ 10.44	340,258	$ 3,552,297
Compton	$ 8.92	18,127	$ 161,692
Eastern MWD	$ 6.94	404,165	$ 2,804,905
Foothill MWD	$ 10.28	30,426	$ 312,775
Fullerton	$ 10.71	34,549	$ 370,024
Glendale	$ 12.23	44,285	$ 541,602
Inland Empire Utilities Agency	$ 7.59	245,055	$ 1,859,967
Las Virgenes MWD	$ 8.03	60,298	$ 484,190
Long Beach	$ 12.16	90,556	$ 1,101,158
Los Angeles	$ -	-	$ -
Municipal Water District of Orange County [2]	$ 10.09	723,673	$ 7,434,455
Pasadena	$ 11.73	37,970	$ 445,387
San Diego County Water Authority	$ 11.51	1,104,732	$ 12,715,463
San Fernando	$ 7.87	5,076	$ 39,948
San Marino	$ 8.24	4,972	$ 40,969
Santa Ana	$ 7.88	54,096	$ 426,276
Santa Monica	$ -	-	$ -
Three Valleys MWD	$ 12.21	150,939	$ 1,842,963
Torrance	$ 12.23	39,860	$ 487,490
Upper San Gabriel Valley MWD	$ 9.27	210,759	$ 1,953,734
West Basin MWD	$ -	-	$ -
Western MWD	$ 9.23	378,038	$ 3,489,290
MWD Total		4,332,124	$ 43,520,286

(1) Estimates per FY2007/08 applied amounts
(2) Adjusted for inclusion of Coastal MWD

Note: Totals may not foot due to rounding.

TABLE 6

PARCELS SUBJECT TO ANNEXATION STANDBY CHARGES
AS OF JULY 1, 2007

Annexation	Parcel Number	Acres	Proposed Standby Charge (FY 2008/09)
Riverside County:			
Portions of the 41st Fringe	909-080-035	1.20	$11.08
to Western MWD	906-151-021	0.17	$9.23
	906-151-022	0.17	$9.23
	906-151-023	0.17	$9.23
	906-151-024	0.17	$9.23
	906-151-025	0.17	$9.23
	909-130-012	4.00	$36.92
	909-020-042	2.30	$21.23
	906-070-065	5.53	$51.04
	906-080-057	1.09	$10.06
	906-080-058	2.95	$27.23
	906-090-002	2.38	$21.97
	906-040-040	0.17	$9.23
	906-040-056	1.74	$16.06
	906-040-043	1.63	$15.04
	906-040-070	1.90	$17.54
	906-040-075	7.30	$67.38
	906-040-074	2.37	$21.88
	906-156-012	0.16	$9.23
	906-156-013	0.16	$9.23
	909-190-014	0.91	$9.23
97th Fringe Area	917-260-041	5.78	$40.11
	917-260-044	5.88	$40.81
	917-260-045	5.56	$38.59
	917-260-047	5.55	$38.52
	917-260-048	5.56	$38.59
95th Fringe Area	909-060-044-8	10.05	$69.75
93rd Fringe Area	910-090-009	5.97	$41.43
	910-090-011	3.58	$24.85
91st Fringe Area	917-260-065	3.66	$25.40
	917-260-066	9.12	$63.29
	917-260-067	3.20	$22.21
	917-260-068	3.11	$21.58
90th Fringe Area	917-310-007	18.40	$127.70

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION ____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF INTENTION TO IMPOSE A CAPACITY CHARGE EFFECTIVE JANUARY 1, 2009

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

WHEREAS, on January 7, 2008, the General Manager presented to the Business and Finance Committee of Metropolitan's Board 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 2008/09, and a detailed report describing each of the rates and charges and the supporting cost of service process, dated December 2007 (the "Report"), that (i) describes the rate structure process and design, (ii) shows the costs of major service functions that Metropolitan provides to its member agencies, (iii) classifies these service functions costs based on the use of the Metropolitan system to create a logical nexus between the revenues required from each of the rates and charges, and (iv) sets forth the rates and charges necessary to defray such costs; and

WHEREAS, on January 7, 2008, the General Manager presented to the Business and Finance 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 2008/09; 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 charge shall be as determined by the Board and allocation of such charges among member public agencies shall be in accordance with the method established by the Board; and

WHEREAS, the capacity 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 the capacity charge as a water rate 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; and

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

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

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

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, 2009 shall be a water rate of $6,800 per cubic-feet-per-second (set in dollars per cubic-feet-per-second of the peak day capacity) for capacity provided to a member agency.

Section 4. That in the alternative, and without duplication, the capacity charge shall be an availability of service charge pursuant to Section 134.5 of the Act.

Section 5. That notice is hereby given to the public and to each member public agency of The Metropolitan Water District of Southern California of the intention of Metropolitan's Board to consider and take action at its regular meeting to be held March 11, 2008 (or such other date designated by the Board for its regular meeting in such month), on the General Manager's recommendation to impose a capacity charge of $6,800 per cubic-feet-per-second of capacity used between May 1 and September 30 for the three calendar-year-period ending December 31, 2007 (set in dollars per cubic-feet-per-second of the peak day capacity). The Business and Finance Committee of Metropolitan's Board shall hold a public hearing at which interested parties may present their views regarding the proposed capacity charge, to be held prior to its regular March meeting pursuant to Section 4304(c) of Metropolitan's Administrative Code. The Board reserves the right to make any changes to the capacity charge including but not limited to the basis on which such charges shall be imposed by

Metropolitan, as a result of comments received at the public hearing. The Board will take final action to adopt the capacity charge on March 11, 2008 (or such other date as the Board shall determine).

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 shall be a fixed charge and collected from each member agency monthly, quarterly or semiannually as agreed to by Metropolitan and the member agency.

Section 8. That the capacity charge for each member public agency, the method of its calculation, cost allocations and other data used in its determination are as specified in the Report, which is on file and available for review by interested parties at Metropolitan's headquarters.

Section 9. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

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

Section 11. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by publication.

Section 12. That the Board Executive Secretary is hereby directed to transmit a certified copy of this Resolution to the presiding officer of the governing body of each member public agency.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on January 8, 2008.

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Board Executive Secretary
The Metropolitan Water District
of Southern California