

Status of Member Agencies' Purchase Orders

Finance & Insurance Committee
Oral Report
April 11, 2011

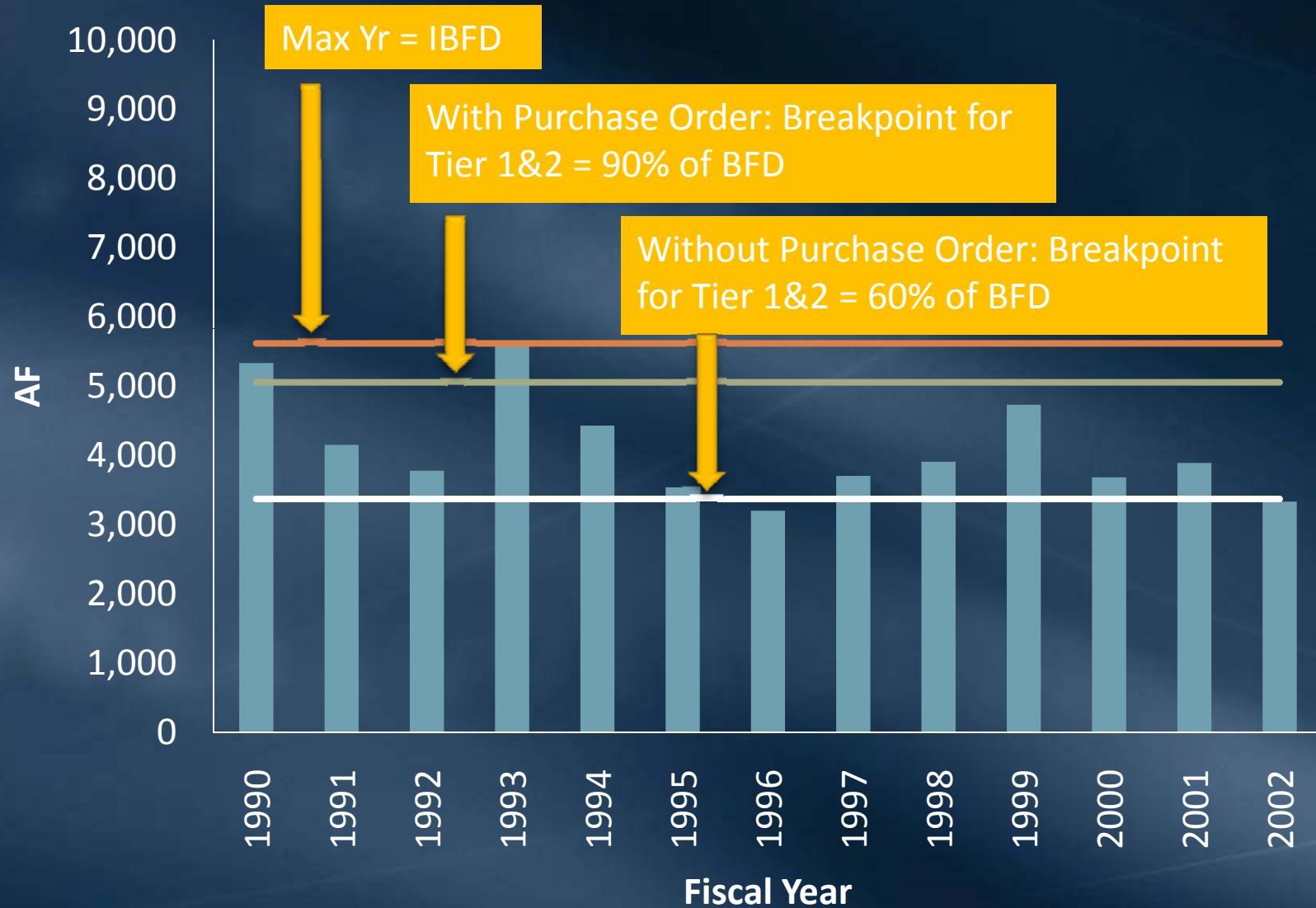
Purchase Orders

- Component of rate structure effective January 1, 2003
- 10-year term, January 1, 2003 through December 31, 2012
- Aspects of Purchase Order:
 - Voluntary
 - Offered price incentives; allowed more water sales to be purchased at the lower Tier 1 Supply Rate
 - Additional level of financial commitment to Metropolitan
 - Not tied to reliability
- 24 member agencies executed Purchase Orders
 - San Fernando and San Marino did not execute

Purchase Order Computation

- Initial Base Firm Demand = highest firm sales from fiscal year 1989/90 through 2001/02
- Base Firm Demand = higher of IBFD or the rolling ten-year average of firm demands
- Purchase Order commitment: $60\% * \text{Initial Base Firm Demand} * 10 \text{ years}$
 - Tier 1 limit with Purchase Order = $90\% * \text{Base Firm Demand}$
 - Tier 1 limit without Purchase Order = $60\% * \text{Base Firm Demand}$
- Commitment adjusted for reductions, interruptions, or suspension of deliveries, excluding interruptible programs (IAWP and Replenishment)

Purchase Order & Supply Rates



Status of Purchase Orders as of December 31, 2010

- 21 of 24 member agencies executing Purchase Orders have met their commitment after 8 years:
 - Anaheim, Beverly Hills, Calleguas, Central Basin, Eastern, Foothill, Fullerton, Inland Empire, Las Virgenes, Long Beach, Los Angeles, MWDOC, Pasadena, SDCWA, Santa Ana, Santa Monica, Three Valleys, Torrance, Upper San Gabriel, West Basin and Western
- Three agencies have not:

Agency	SAP Adjusted PO Commitment, AF	PO Firm Delivery Thru 12/31/2010, AF	Remaining AF	
Burbank	106,731	102,953	3,779	3.5%
Compton	33,046	22,667	10,379	30.8%
Glendale	171,313	170,476	838	0.5%

Purchase Orders: Notice Provision

- Purchase Orders included a notice provision of intention to renew
- Non-binding notices to renew based on terms and conditions as may be mutually agreed by the parties were provided in November and December 2010 by:
 - Anaheim, Beverly Hills, Burbank, Calleguas, Central Basin, Eastern, Foothill, Fullerton, Glendale, Las Virgenes, Los Angeles, MWDOC, Santa Ana, Three Valleys, Torrance, Upper San Gabriel, West Basin and Western
- Agencies with Purchase Orders not providing the notice:
 - Compton, Inland Empire, Long Beach, Pasadena, SDCWA, and Santa Monica
 - San Fernando and San Marino did not sign Purchase Orders

Summary of Purchase Orders

- Expire 12/31/2012
- One agency is not on track to meet its commitment
- Discussions with member agencies regarding a future Purchase Order structure and establishment of Tier 1/ Tier 2 will occur later this year