



- Board of Directors
Finance and Insurance Committee

10/9/2012 Board Meeting

8-3

Subject

Approve the form of the amended and restated Purchase Order; and authorize amendment of section 4122 of the Administrative Code

Executive Summary

After several months of workshops and meetings to address Rate Refinement objectives, Metropolitan staff and the member agency representatives participating in the Rate Refinement working group propose to extend the existing Purchase Orders for two years, to December 31, 2014, under the existing terms and conditions. The Purchase Order Commitment will be adjusted accordingly. Each member agency with an existing Purchase Order may execute an Amended and Restated Purchase Order to extend the term.

Details

Metropolitan's current Purchase Orders, entered into with 23 of its member agencies, expire on December 31, 2012. Metropolitan staff and member agency representatives participating in the Rate Refinement working group have been discussing various revenue and rate structure objectives. Member agency representatives expressed concerns that the expiration of the Purchase Orders does not provide the time necessary to evaluate proposed alternatives.

Therefore, Metropolitan staff and the member agency representatives propose to extend the existing Purchase Orders to December 31, 2014. **Attachment 1** is the form of the proposed Amended and Restated Purchase Order, extending the term of the Purchase Orders from the current ten years to twelve years. It includes amendments to definitions to align the Purchase Orders with water programs implemented since the 2002 execution of the Purchase Order. Also incorporated is the impact of the phase-out of the Interim Agricultural Water Program (IAWP) consistent with the October 2008 board action approving changes to the IAWP. In approving the phase-out of the IAWP, the Board adopted maximum increases in each affected member agency's Tier 1 limit. The phase-out of the IAWP does not affect a member agency's Purchase Order Commitment. The form of the Amended and Restated Purchase Order is marked to show changes from the existing Purchase Order form in **Attachment 2**.

Attachment 3 shows each member agency's calendar year 2013 Tier 1 Limit with and without a Purchase Order, and the Purchase Order Commitment for the 23 member agencies with current Purchase Orders if they execute the Amended and Restated Purchase Order. Only member agencies that currently are parties to Purchase Orders may execute an Amended and Restated Purchase Order.

Attachment 4 includes proposed changes to section 4122 of the Administrative Code in strike-through and underline format to incorporate the Purchase Order extension.

Rate Refinement discussions will resume in 2013 and any changes coming out of the 2013 process will be incorporated into the proposed budget and rates and charges for the next biennial budget and rate setting process for fiscal years 2014/15 and 2015/16. Discussions regarding terms and conditions for a potential incentive-based storage program will move to the Water Planning Stewardship Committee.

Policy

Metropolitan Water District Administrative Code Section 4122: Base Firm Demand; Initial Base Firm Demand Policy

Metropolitan Water District Administrative Code Section 4404: Purchase Orders

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because 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 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 action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and

- a. Approve the Amended and Restated Purchase Order, substantially in the form of [Attachment 1](#) to this board letter with changes approved by the General Manager and General Counsel, to provide a two-year extension of existing member agency Purchase Orders;
- b. Authorize the General Manager to execute the Amended and Restated Purchase Order with member agencies opting to extend their Purchase Orders; and
- c. Authorize amendment of section 4122 of the Administrative Code as shown in [Attachment 4](#).

Fiscal Impact: Extending the Purchase Orders will have no fiscal impact in fiscal years 2012/13 and 2013/14.

Option #2

Do not approve the Amended and Restated Purchase Order or changes to the Administrative Code.

Fiscal Impact: Without Purchase Orders, effective January 1, 2013 each member agency's Tier 1 Limit will be 60 percent of their Base Firm Demand; water sales above the lower Tier 1 Limit will result in Tier 2 sales and additional revenues.

Staff Recommendation

Option #1



Gary Breaux
Chief Financial Officer

9/18/2012

Date



Jeffrey Lightinger
General Manager

9/25/2012

Date

Attachment 1 – Amended and Restated Purchase Order for Imported Water Supply to be Provided by the Metropolitan Water District of Southern California

Attachment 2 – Amended and Restated Purchase Order for Imported Water Supply to be Provided by the Metropolitan Water District of Southern California (marked to show changes)

Attachment 3 – 2013 Tier 1 Limit and 2003 – 2014 Purchase Order Commitment

Attachment 4 – Proposed Amendments to Administrative Code Section 4122

Ref# cfo12620391

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**AMENDED AND RESTATED
PURCHASE ORDER FOR SYSTEM WATER TO BE PROVIDED BY
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

PURCHASER: _____	TERM 12 years
INITIAL BASE FIRM DEMAND: _____ acre-feet	EFFECTIVE DATE: January 1, 2003
INITIAL TIER 1 ANNUAL MAXIMUM: _____ acre-feet	
PURCHASE ORDER COMMITMENT: _____ acre-feet	

Definitions of capitalized terms used in this Purchase Order are provided in Attachment 1. Terms used in this Purchase Order and not defined in Attachment 1 are defined in Metropolitan's Administrative Code.

COMMITMENT TO PURCHASE.

In consideration of Purchaser's commitment to purchase System Water pursuant to this Purchase Order, Metropolitan agrees to sell such System Water to Purchaser at the Tier 1 Supply Rate each year in an amount up to the Tier 1 Annual Maximum. System Water sold to Purchaser (excluding deliveries of interruptible water, including but not limited to the Interim Agricultural Water Program, Long-Term Seasonal Storage Service and Replenishment Service) in an amount greater than the Tier 1 Annual Maximum shall be sold to the Purchaser at the Tier 2 Supply Rate. In connection with the receipt of System Water, the Purchaser also agrees to pay all other applicable rates and charges, as established by Metropolitan from time to time in accordance with Section 4304 of the Administrative Code. The rates and charges applicable to System Water as of the Effective Date are shown in Attachment 2.

Purchaser agrees to purchase System Water from Metropolitan during the Term in an amount (excluding deliveries of interruptible water, including but not limited to the Interim Agricultural Water Program, Long-Term Seasonal Storage Service and Replenishment Service) not less than the Purchase Order Commitment.

Purchaser recognizes and agrees that Metropolitan has relied and will, during the term of this Purchase Order, rely on this commitment by Purchaser in setting its rates and charges, planning and providing its capital facilities and developing its water supply, management and reliability programs. If Purchaser's applicable System Water purchases during the Term are less than the Purchase Order Commitment, Purchaser agrees to pay Metropolitan an amount equal to the difference between the Purchase Order Commitment and Purchaser's applicable System Water purchases during the Term times the average of the Tier 1 Supply Rate in effect during the Term. The Purchaser agrees to pay such amount to Metropolitan within the next regular billing cycle following the reconciliation of all certifications for special programs that the Purchaser may participate in (e.g. Interim Agricultural Water Program, Long-term Seasonal

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Storage Service). The Purchaser may elect to pay such amount in twelve equal monthly payments over the course of the next twelve months beginning with the first regular billing cycle following the reconciliation of all outstanding certifications for special programs. If the Purchaser elects to pay such amount over the course of the next twelve months following the regular billing cycle any outstanding balance shall bear interest at Metropolitan's then current investment portfolio average yield. All other amounts payable under this Purchase Order shall be billed and paid in accordance with the Administrative Code.

The Purchaser further recognizes that this Purchase Order is entered into for the direct benefit of the holders and owners of Metropolitan's Bonds issued from time to time under the Act and the Bond Resolutions, and the income and revenues derived from this Purchase Order will be pledged for the purposes set forth in the Bond Resolutions, including the payment of principal of and interest on such Bonds.

RENEWAL:

Prior to but not later than December 31, 2010, the Purchaser may provide a non-binding written notice to Metropolitan of the Purchaser's determination to extend this Purchase Order. Upon the receipt of such notice, the Board of Directors of Metropolitan (the "Board") shall determine whether Metropolitan will continue to provide System Water to member agencies by Purchase Order. If the Board so determines, the Purchaser and Metropolitan shall amend this Purchase Order to include an extended term and/or to include such other terms and conditions as may be mutually agreed by the parties. If the Purchaser elects not to renew this Purchase Order it will terminate upon the expiration of the Term.

WATER SERVICE:

Conditions of water service by Metropolitan to the Purchaser, including but not limited to (i) delivery points, (ii) water delivery schedules, and (iii) water quality, will be determined in accordance with Chapter 5 (Section 4500 through 4514, inclusive, as applicable) of Metropolitan's Administrative Code.

In accordance with its Administrative Code, Metropolitan shall use its reasonable best efforts to supply System Water in the quantities requested by the Purchaser, but is not obligated to dedicate any portion of System capacity for the conveyance, distribution, storage or treatment of System Water for the benefit of the Purchaser or any other member agency. Metropolitan shall use its reasonable best efforts to deliver the Firm Demand when needed by the Purchaser during the Term; provided however, there shall be no default under this Purchase Order if Metropolitan fails to deliver water to the Purchaser in accordance with any such schedule of deliveries during the Term.

By execution of this Purchase Order, the Purchaser recognizes and agrees that it acquires no interest in or to any portion of the System or any other Metropolitan facilities, or any right to receive water delivered through the System, excepting the right to purchase up to Purchaser's Tier 1 Annual Maximum at the Tier 1 Supply Rate provided that System Water is available. This Purchase Order governs pricing of the System Water delivered to the Purchaser pursuant to this Purchase Order and does not confer any entitlement to receive System Water.

System Water provided to the Purchaser under the terms of this Purchase Order shall be subject to reduction in accordance with the shortage allocation provisions of the Water Surplus and Drought Management Plan (the "WSDM Plan") or other such policies and principles governing the allocation of System Water as adopted by the Board.

In the event that Metropolitan's Board determines to reduce, interrupt or suspend deliveries of System Water, any outstanding balance of the Purchase Order Commitment at the

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end of the Term shall be reduced by the reduction in System Water made available to the Purchaser under this Purchase Order.

MISCELLANEOUS:

This Purchase Order will be interpreted, governed and enforced in accordance with the laws of the State of California.

This Purchase Order will apply to and bind the successors and assigns of the Purchaser and Metropolitan.

No assignment or transfer of the rights of the Purchaser under this Purchase Order will be valid and effective against Metropolitan or the Purchaser without the prior written consent of Metropolitan and the Purchaser.

If at any time during the Term, by reason of error in computation or other causes, there is an overpayment or underpayment to Metropolitan by the Purchaser of the charges provided for under this Purchase Order, which overpayment or underpayment is not accounted for and corrected in the annual re-determination or reconciliation of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the Purchaser. Metropolitan will notify the Purchaser in writing regarding the amount of such credit or debit, as the case may be. In no case will credits or debits for charges provided for under this Purchase Order be administered beyond the limit for billing adjustments as specified in Metropolitan's Administrative Code.

IN WITNESS WHEREOF, this Amended and Restated Purchase Order is executed by the duly authorized officers of the Metropolitan Water District of Southern California and [Purchaser], as of December __, 2012.

THE METROPOLITAN WATER DISTRICT OF [PURCHASER NAME]
SOUTHERN CALIFORNIA

By: _____
Jeffrey Kightlinger
General Manager

By: _____
[Title] _____

APPROVED AS TO FORM AND CONTENT:

General Counsel

General Counsel

By: _____

By: _____

-DRAFT-**Attachment 1
Amended and Restated Purchase Order for System Water
DEFINITIONS**

“Act” means the Metropolitan Water District Act, California Statutes 1969, and Chapter 209, as amended and supplemented from time to time.

“Base Firm Demand” means the greater of (i) the Initial Base Firm Demand Post IAWP or (ii) the ten-year rolling average of the Purchaser’s Firm Demand, measured on a fiscal year basis.

“Bonds” means water revenue bonds or notes issued under the Bond Resolutions.

“Bond Resolutions” means Resolution No. 8329 or Resolution No. 8322, both as amended and supplemented, or any other resolution authorizing the issuance of bonds, notes or other obligations secured by Metropolitan’s water sales revenues.

“Effective Date” means the effective date of this Purchase Order as specified above.

“Firm Demand” means the Purchaser’s purchases of non-interruptible System Water supplies, including full service, seasonal shift, Conjunctive Use Program, Surface Storage Operating Agreement water, Recharge and Recovery Operating Agreement water, or any other water program deemed to be a firm delivery of water.

“Initial Base Firm Demand” means the Purchaser’s highest annual Firm Demand on Metropolitan in any fiscal year during the period from fiscal year 1989/90 through fiscal year 2001/02. In accordance with procedures set forth in Metropolitan's Administrative Code, the Initial Base Firm Demand will be revised to reflect certified and verified deliveries under the Interim Agricultural Water Program and Long-term Seasonal Storage Service Program as such certifications affect the Initial Base Firm Demand.

“Initial Base Firm Demand Post IAWP” means the Purchaser's highest annual delivery of water from the District, excluding water delivered under Long-Term Seasonal Storage Service and other deliveries of interruptible water but including Interim Agricultural Water Program deliveries, during any fiscal year from fiscal year 1989/90 through fiscal year 2001/02.

“Metropolitan” means The Metropolitan Water District of Southern California.

“Purchase Order Commitment” means 60% of the Initial Base Firm Demand times 12. Deliveries of System Water made under the Interim Agricultural Water Program and Long-Term Seasonal Storage Service will not count toward the Purchase Order Commitment.

“Purchase Order” means this Amended and Restated Purchase Order for System Water.

“Purchaser” means the member public agency specified above, a duly organized [city/water district/county water authority] of the State of California.

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“System” means the properties, works and facilities of Metropolitan necessary for the supply, development, storage, conveyance, distribution, treatment or sale of water.

“System Water” means water supplies developed by Metropolitan and delivered to the Purchaser through the System or other means (e.g. conjunctive use storage).

“Term” means the term of this Purchase Order as specified above.

“Tier 1 Annual Maximum” means an amount equal to 90% of the Base Firm Demand.

“Tier 1 Supply Rate” means Metropolitan’s per-acre-foot Tier 1 Supply Rate, as determined from time to time by Metropolitan’s Board of Directors. The initial Tier 1 Rate is \$73/AF.

“Tier 2 Supply Rate” means Metropolitan’s per-acre-foot Tier 2 Supply Rate, as determined from time to time by Metropolitan’s Board of Directors. The initial Tier 2 Rate is \$154/AF.

“Water Surplus and Drought Management Plan (WSDM)” means Metropolitan’s policy and procedures for managing supplies and drought conditions as adopted by the Board from time to time.

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**Attachment 2
Amended and Restated Purchase Order for System Water
RATES AND CHARGES**

	Effective January 1, 2013	Effective January 1, 2014
Tier 1 Supply Rate (\$/AF)	\$140	\$148
Tier 2 Supply Rate (\$/AF)	\$290	\$290
System Access Rate (\$/AF)	\$223	\$243
System Power Rate (\$/AF)	\$189	\$161
Water Stewardship Rate (\$/AF)	\$41	\$41
Full Service Untreated Rate (\$/AF):		
Tier 1	\$593	\$593
Tier 2	\$743	\$735
Treatment Surcharge (\$/AF)	\$254	\$297
Full Service Treated Rate (\$/AF):		
Tier 1	\$847	\$890
Tier 2	\$997	\$1,032
Readiness-to-Serve Charge (\$ millions)	\$142	\$166
Capacity Charge (\$/cfs)	\$6,400	\$8,600

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AMENDED AND RESTATED
PURCHASE ORDER FOR ~~IMPORTED SYSTEM WATER SUPPLY~~ TO BE PROVIDED
BY
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

PURCHASER: _____	TERM 12 0 years
INITIAL BASE <u>FIRM</u> DEMAND: _____ acre-feet	EFFECTIVE DATE: January 1, 2003
INITIAL TIER 1 ANNUAL MAXIMUM: _____ acre-feet	
PURCHASE ORDER COMMITMENT: _____ acre-feet	

Definitions of capitalized terms used in this Purchase Order are provided in Attachment 1. Terms used in this Purchase Order and not defined in Attachment 1 are defined in Metropolitan's Administrative Code.

COMMITMENT TO PURCHASE.

In consideration of Purchaser's commitment to purchase System Water pursuant to this Purchase Order, Metropolitan agrees to sell such System Water to Purchaser at the Tier 1 Supply Rate each year in an amount up to the Tier 1 Annual Maximum. System Water sold to Purchaser (~~excluding deliveries of System Water made under the Interim Agricultural Water Program and Long-term Seasonal Storage Service~~excluding deliveries of interruptible water, including but not limited to the Interim Agricultural Water Program, Long-Term Seasonal Storage Service and Replenishment Service) in an amount greater than the Tier 1 Annual Maximum shall be sold to the Purchaser at the Tier 2 Supply Rate. In connection with the receipt of System Water, the Purchaser also agrees to pay all other applicable rates and charges, as established by Metropolitan from time to time in accordance with Section 4304 of the Administrative Code. The rates and charges applicable to System Water as of the Effective Date are shown in Attachment 2.

Purchaser agrees to purchase System Water from Metropolitan during the Term in an amount (excluding deliveries of interruptible water, including but not limited to the Interim Agricultural Water Program, Long-Term Seasonal Storage Service and Replenishment Service~~excluding deliveries of System Water, made under the Interim Agricultural Water Program and Long-term Seasonal Storage Service~~) not less than the Purchase Order Commitment.

Purchaser recognizes and agrees that Metropolitan has relied and will, during the term of this Purchase Order, rely on this commitment by Purchaser in setting its rates and charges, planning and providing its capital facilities and developing its water supply, management and reliability programs. —If Purchaser's applicable System Water purchases during the Term are less than the Purchase Order Commitment, Purchaser agrees to pay Metropolitan an amount equal to the difference between the Purchase Order Commitment and Purchaser's applicable

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System Water purchases during the Term times the average of the Tier 1 Supply Rate in effect during the Term. The Purchaser agrees to pay such amount to Metropolitan within the next regular billing cycle following the reconciliation of all certifications for special programs that the Purchaser may participate in (e.g. Interim Agricultural Water Program, Long-term Seasonal Storage Service). The Purchaser may elect to pay such amount in twelve equal monthly payments over the course of the next twelve months beginning with the first regular billing cycle following the reconciliation of all outstanding certifications for special programs. If the Purchaser elects to pay such amount over the course of the next twelve months following the regular billing cycle any outstanding balance shall bear interest at Metropolitan's then current investment portfolio average yield. All other amounts payable under this Purchase Order shall be billed and paid in accordance with the Administrative Code.

The Purchaser further recognizes that this Purchase Order is entered into for the direct benefit of the holders and owners of Metropolitan's Bonds issued from time to time under the Act and the Bond Resolutions, and the income and revenues derived from this Purchase Order will be pledged for the purposes set forth in the Bond Resolutions, including the payment of principal of and interest on such Bonds.

RENEWAL:

Prior to but not later than December 31, 2010, the Purchaser may provide a non-binding written notice to Metropolitan of the Purchaser's determination to extend this Purchase Order. Upon the receipt of such notice, the Board of Directors of Metropolitan (the "Board") shall determine whether Metropolitan will continue to provide System Water to member agencies by Purchase Order. If the Board so determines, the Purchaser and Metropolitan shall amend this Purchase Order to include an extended term and/or to include such other terms and conditions as may be mutually agreed by the parties. If the Purchaser elects not to renew this Purchase Order it will terminate upon the expiration of the Term.

WATER SERVICE:

Conditions of water service by Metropolitan to the Purchaser, including but not limited to (i) delivery points, (ii) water delivery schedules, and (iii) water quality, will be determined in accordance with Chapter 5 (Section 4500 through 4514, inclusive, as applicable) of Metropolitan's Administrative Code.

In accordance with its Administrative Code, Metropolitan shall use its reasonable best efforts to supply System Water in the quantities requested by the Purchaser, but is not obligated to dedicate any portion of System capacity for the conveyance, distribution, storage or treatment of System Water for the benefit of the Purchaser or any other member agency. Metropolitan shall use its reasonable best efforts to deliver the ~~Base Demand~~ Firm Demand when needed by the Purchaser during the Term; provided however, there shall be no default under this Purchase Order if Metropolitan fails to deliver water to the Purchaser in accordance with any such schedule of deliveries during the Term.

By execution of this Purchase Order, the Purchaser recognizes and agrees that it acquires no interest in or to any portion of the System or any other Metropolitan facilities, or any right to receive water delivered through the System, excepting the right to purchase up to Purchaser's Tier 1 Annual Maximum at the Tier 1 Supply Rate provided that System Water is available. This Purchase Order governs pricing of the System Water delivered to the Purchaser pursuant to this Purchase Order and does not confer any entitlement to receive System Water.

System Water provided to the Purchaser under the terms of this Purchase Order shall be subject to reduction in accordance with the shortage allocation provisions of the Water

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Surplus and Drought Management Plan (the "WSDM Plan") or other such policies and principles governing the allocation of System Water as adopted by the Board.

In the event that Metropolitan's Board determines to reduce, interrupt or suspend deliveries of System Water, ~~(excluding deliveries of System Water made under the Interim Agricultural Water Program and Long-term Seasonal Storage Service)~~ any outstanding balance of the Purchase Order Commitment at the end of the Term shall be reduced by the reduction in System Water made available to the Purchaser under this Purchase Order.

MISCELLANEOUS:

This Purchase Order will be interpreted, governed and enforced in accordance with the laws of the State of California.

This Purchase Order will apply to and bind the successors and assigns of the Purchaser and Metropolitan.

No assignment or transfer of the rights of the Purchaser under this Purchase Order will be valid and effective against Metropolitan or the Purchaser without the prior written consent of Metropolitan and the Purchaser.

If at any time during the Term, by reason of error in computation or other causes, there is an overpayment or underpayment to Metropolitan by the Purchaser of the charges provided for under this Purchase Order, which overpayment or underpayment is not accounted for and corrected in the annual re-determination or reconciliation of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the Purchaser. Metropolitan will notify the Purchaser in writing regarding the amount of such credit or debit, as the case may be. In no case will credits or debits for charges provided for under this Purchase Order be administered beyond the limit for billing adjustments as specified in Metropolitan's Administrative Code.

IN WITNESS WHEREOF, this Amended and Restated Purchase Order is executed by the duly authorized officers of the Metropolitan Water District of Southern California and [Purchaser], ~~to be effective January 1, 2003~~ as of December , 2012.

THE METROPOLITAN WATER DISTRICT OF [PURCHASER NAME]
SOUTHERN CALIFORNIA

By: _____
~~Ronald R. Gastelum~~ Jeffrey Kightlinger
~~Chief Executive Officer~~ General
Manager

By: _____
[Title] _____

APPROVED AS TO FORM AND CONTENT:

General Counsel

General Counsel

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By: _____

By: _____

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Attachment 1
Amended and Restated Purchase Order for ~~Imported~~ System Water
Supplies
DEFINITIONS

“**Act**” means the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended and supplemented from time to time.

“~~Base Demand~~ **Base Firm Demand**” means the greater of (i) the Initial Base Firm Demand Post IAWP or (ii) the ten-year rolling average of the Purchaser’s Firm Demand, measured on a fiscal year basis.

“**Bonds**” means water revenue bonds or notes issued under the Bond Resolutions.

“**Bond Resolutions**” means Resolution No. 8329 or Resolution No. 8322, both as amended and supplemented, or any other resolution authorizing the issuance of bonds, notes or other obligations secured by Metropolitan’s water sales revenues.

“**Effective Date**” means the effective date of this Purchase Order as specified above.

“**Firm Demand**” means the Purchaser’s purchases of non-interruptible System Water supplies, including full service, seasonal shift, Conjunctive Use Program, Surface Storage Operating Agreement water, Recharge and Recovery Operating Agreement water, or any other water program deemed to be a firm delivery of water. ~~non-surplus System Water supplies, including full-service and seasonal shift deliveries.~~

“**Initial Base Firm Demand**” means the Purchaser’s highest annual Firm Demand on Metropolitan in any fiscal year during the period from fiscal year 1989/90 through fiscal year 2001/02. In accordance with procedures set forth in Metropolitan’s Administrative Code, the Initial Base Firm Demand will be revised to reflect certified and verified deliveries under the Interim Agricultural Water Program and Long-term Seasonal Storage Service Program as such certifications affect the Initial Base Firm Demand.

“**Initial Base Firm Demand Post IAWP**” means the Purchaser’s highest annual delivery of water from the District, excluding water delivered under Long-Term Seasonal Storage Service and other deliveries of interruptible water but including Interim Agricultural Water Program deliveries, during any fiscal year from fiscal year 1989/90 through fiscal year 2001/02.

“**Metropolitan**” means The Metropolitan Water District of Southern California.

“**Purchase Order Commitment**” means 60% of the Initial ~~Base Demand~~ Base Firm Demand times ~~1240~~. Deliveries of System Water ~~made under the Interim Agricultural Water Program and Long-Term Seasonal Storage Service,~~ will not count toward the Purchase Order Commitment.

“**Purchase Order**” ~~means~~ this Amended and Restated Purchase Order for System Water.

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“Purchaser” means the member public agency specified above, a duly organized [city/water district/county water authority] of the State of California.

“System” means the properties, works and facilities of Metropolitan necessary for the supply, development, storage, conveyance, distribution, treatment or sale of water.

“System Water” means water supplies developed by Metropolitan and delivered to the Purchaser through the System or other means (e.g. conjunctive use storage).

“Term” means the term of this Purchase Order as specified above.

“Tier 1 Annual Maximum” means an amount equal to 90% of the ~~Base-Demand~~[Base Firm Demand](#).

“Tier 1 Supply Rate” means Metropolitan’s per-acre-foot Tier 1 Supply Rate, as determined from time to time by Metropolitan’s Board of Directors. The initial Tier 1 Rate is \$73/AF.

“Tier 2 Supply Rate” means Metropolitan’s per-acre-foot Tier 2 Supply Rate, as determined from time to time by Metropolitan’s Board of Directors. The initial Tier 2 Rate is \$154/AF.

“Water Surplus and Drought Management Plan (WSDM)” means Metropolitan’s policy and procedures for managing supplies and drought conditions as adopted by the Board from time to time.

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Attachment 2
**Amended and Restated Purchase Order for System Imported-Water
Supplies
RATES AND CHARGES**

	Effective January 1, 2013	<u>Effective</u> <u>January</u> <u>1, 2014</u>
Tier 1 Supply Rate (\$/AF)	\$140	<u>\$148</u>
Tier 2 Supply Rate (\$/AF)	\$290	<u>\$290</u>
System Access Rate (\$/AF)	\$223	<u>\$243</u>
System Power Rate (\$/AF)	\$189	<u>\$161</u>
Water Stewardship Rate (\$/AF)	\$41	<u>\$41</u>
Full Service Untreated Rate (\$/AF):		
Tier 1	\$593	<u>\$593</u>
Tier 2	\$743	<u>\$735</u>
Treatment Surcharge (\$/AF)	\$254	<u>\$297</u>
Full Service Treated Rate (\$/AF):		
Tier 1	\$847	<u>\$890</u>
Tier 2	\$997	<u>\$1,032</u>
Readiness-to-Serve Charge (\$ millions)	\$142	<u>\$166</u>
Capacity Charge (\$/cfs)	\$6,400	<u>\$8,600</u>

2013 Tier 1 Limit and 2003 - 2014 Purchase Order Commitment

Member Agency	2013 BFD	CY 2013 Tier 1 limits with PO	CY 2013 Tier 1 limits w/o PO	Calendar Year 2003-2014 PO Commitment
Anaheim	24,711	22,240	14,827	177,921
Beverly Hills	14,867	13,380	8,920	107,042
Burbank	18,152	16,336	10,891	130,692
Calleguas	122,498	110,249	73,499	830,404
Central Basin	80,401	72,361	48,241	578,886
Compton *	5,620	NA	3,372	
Eastern	94,101	84,691	56,461	605,597
Foothill	12,219	10,997	7,331	87,975
Fullerton	12,554	11,298	7,532	90,387
Glendale	29,135	26,221	17,481	209,771
Inland Empire	66,436	59,792	39,861	478,017
Las Virgenes	22,998	20,698	13,799	164,524
Long Beach	43,857	39,471	26,314	315,772
Los Angeles	338,855	304,970	203,313	2,439,758
MWDOC	253,478	228,130	152,087	1,783,393
Pasadena	23,533	21,180	14,120	169,436
San Diego CWA	653,224	587,902	391,934	4,011,085
San Fernando *	1,050	NA	630	
San Marino*	1,998	NA	1,199	
Santa Ana	13,476	12,129	8,086	97,029
Santa Monica	12,344	11,109	7,406	88,875
Three Valleys	78,304	70,474	46,982	563,197
Torrance	23,297	20,967	13,978	167,736
Upper San Gabriel	19,031	17,128	11,418	132,093
West Basin	174,304	156,874	104,583	1,254,990
Western MWD	94,566	85,110	56,740	470,149
TOTAL	2,235,008	2,003,707	1,341,005	

* Compton, San Fernando, and San Marino do not have Purchase Orders

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

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

Effective as of January 1, 2013, “Base Firm Demand” shall mean the greater of a) the member agency’s Initial Base Firm Demand Post IAWP or b) the member agency’s ten-fiscal year rolling average of deliveries of water from the District for the most recent ten fiscal year period, excluding water delivered under Interim Agricultural Water Program Service and any other non-firm water delivery, and “Initial Base Firm Demand Post IAWP” shall mean the member agency’s highest annual delivery of water from the District, excluding water delivered under the Long-Term Seasonal Storage Service and Interruptible Service programs but including water delivered under Interim Agricultural Water Program Service, during any fiscal year from fiscal year 1989/90 through fiscal year 2001/02.