



# Report on Treatment Charge Workgroup Recommendations

Finance & Insurance Committee  
Item # 8a  
February 13, 2017

# Executive Committee Direction: Policy Issues to be Addressed

- Define objectives of a fixed treated water charge
- Determine costs to be included in fixed charge
- Determine allocation methodology
- Address issues related to implementation of a new charge
- Consider implementation in January 2018 or as part of the next biennial budget

# Timeline Developed for Workgroup

**Executive  
Committee**

**F&I receives  
recommendations  
from Workgroup**

**June  
2016**

**July**

**Aug**

**Sept**

**Oct**

**Nov**

**Dec  
2016**

**Jan  
2017**

**Feb**

**Mar  
2017**

**Workgroup meets; regular updates to F&I Committee  
and Member Agency Managers**

# Process

- Six meetings beginning September 2016 through February 2, 2017
- Participation from 16 Member Agencies:
  - Anaheim, Calleguas, Central Basin, Eastern, Foothill, Glendale, Inland Empire, Las Virgenes, Los Angeles, MWDOC, Pasadena, San Diego, Three Valleys, Upper San Gabriel, West Basin, Western
- Facilitated by Dr. Tom Chesnutt

# Proposal: Policy Principles

- Treatment rates and charges shall align treatment costs with treatment services and benefits received consistent with cost of service principles
- Treatment services shall be recognized to include physical water treatment, as well as operational benefits such as available treatment capacity used by member agencies
- In an effort to contain overall treatment costs on an on-going basis, MWD shall programmatically identify opportunities to partially or fully decommission unneeded treatment infrastructure and minimize future O&M and capital expenditures. MWD should obtain member agency commitment to utilize new or expanded future treatment capacity

# Recommendations for Treatment Rates and Charges

- Adopt a Treatment Capacity Charge that mirrors the existing Capacity Charge in a manner consistent with cost of service principles
- This Treatment Capacity Charge should be implemented based upon a three-year trailing maximum peak day flow through treated water service connections during the May 1 through September 30 peak summer demand period

# Implementation Considerations for Treatment Capacity Charge

- To provide member agencies with sufficient time to plan for operational and financial impacts to their agencies and sub-agencies, this Treatment Capacity Charge should be integrated into MWD's biennial cost of service process and considered for implementation at the Board's discretion with rates and charges effective no sooner than January 1, 2021 (thus, inclusive only of the summer peaks of 2017-2019).

# Comparison of Workgroup Proposal to April 2016 Proposal

April 2016 Proposal	Workgroup Proposal
<p><b><u>Treatment Fixed Charge</u></b></p> <p>1. Fixed Demand Costs</p> <ul style="list-style-type: none"> <li>• 3-year trailing maximum day flow</li> <li>• Summer demand period</li> </ul> <p>2. Fixed Availability Costs</p> <ul style="list-style-type: none"> <li>• 10-year rolling average demands</li> </ul>	<p><b><u>Treatment Capacity Charge</u></b></p> <p>Fixed Demand Costs</p> <ul style="list-style-type: none"> <li>• 3-year trailing maximum day flow</li> <li>• Summer demand period</li> </ul>
<p>38% of Treatment Revenue Requirement (FY2016/17)</p>	<p>16% of Treatment Revenue Requirement (FY2017/18)</p>
<p>Implement January 1, 2017</p>	<p>Implement January 1, 2021</p>
	<p>Metropolitan to focus on right-sizing treatment plants</p>



# Next Steps

- Receive comments from F&I Committee at February 13 Workshop
- If F&I approves as future agenda item, the item can return in March or April 2017 for action by F&I and Board

