

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

**RESOLUTION 9221**

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**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA  
APPROVING  
THE TREATMENT CHARGE WORKGROUP'S PROPOSED POLICY PRINCIPLES**

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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, including payment of the interest and principal of Metropolitan's non-tax funded debt; and

WHEREAS, on April 12, 2016, the Board voted to (1) define objectives of a new treated water charge, (2) further analyze alternatives to bring back to the Board for discussion in fall 2016, and (3) bring a possible recommendation to the Board for a new treated water charge effective January 1, 2018; and

WHEREAS, on June 28, 2016, the Executive Committee of the Board approved the formation of a Workgroup to achieve its objectives, with participation made open to all member agencies; and

~~WHEREAS, the Executive Committee established a timeline for the Workgroup to provide recommendations to Metropolitan's Finance and Insurance (F&I) Committee, and directed the Workgroup to:~~

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

WHEREAS, Metropolitan retained Dr. Tom Chesnutt of A&N Technical Services, Inc. to facilitate the process, which took place from September 2016 through February 2017; and

WHEREAS, at the February meeting of the F&I Committee, the Workgroup presented its Proposal in a document titled, "Treatment Charge Workgroup Proposed Policy Principles, Recommendations, and Implementation Considerations" (Proposal), dated February 2, 2017; and

WHEREAS, the Proposal recommends that the Board adopt three policy principles, which would provide a guidance framework for changes Metropolitan may wish to make to any treatment rate or charge now or in the future, as follows:

1. Treatment rates and charges shall align treatment costs with treatment services and benefits received consistent with cost of service principles.
2. Treatment services shall be recognized to include physical water treatment, as well as operational benefits such as available treatment capacity used by member agencies.
3. 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.

WHEREAS, the Proposal recommends a Treatment Capacity Charge that mirrors the existing Metropolitan Capacity Charge, to be allocated to member agencies 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; and

WHEREAS, the recommended Treatment Capacity Charge would recover the capital financing costs incurred to meet maximum summer treatment capacity, also referred to as “fixed demand costs”; and

WHEREAS, the F&I Committee considered the Proposal at its regular February 2017 and March 2017 meetings, pursuant to informational presentations, review, and deliberation; and

WHEREAS, on April 10, 2017, the Proposal, together with a staff review thereof, was further discussed and reviewed by the F&I Committee and by the Board on April 11, 2017; and

WHEREAS, each of said meetings of the Board were conducted in accordance with the Brown Act (commencing at 54950 of the Government Code), at which due notice was provided and quorums were present and acting throughout; and

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 the Board of Directors of Metropolitan hereby adopts the following policy principles for the recovery of treatment costs, which would provide a guidance framework for changes Metropolitan may wish to make to any treatment rate or charge now or in the future:

1. Treatment rates and charges shall align treatment costs with treatment services and benefits received consistent with cost of service principles.

2. Treatment services shall be recognized to include physical water treatment, as well as operational benefits such as available treatment capacity used by member agencies.
3. 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.

**Section 2.** That this Board finds that the adoption of the policy 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). Finally, where it can be seen with certainty that there is no possibility that the proposed actions may have a significant impact on the environment, those actions are not subject to CEQA pursuant to Section 15061(b)(3) of the State CEQA Guidelines.

**Section 3.** 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 4.** 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 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 April 11, 2017.



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Board Executive Secretary  
The Metropolitan Water District  
of Southern California