



Approve Resolutions Fixing and Adopting the Readiness-to-Serve Charge and Capacity Charge for 2022

Finance and Insurance Committee

Item 7-1

April 12, 2021

Background

- April 14, 2020:
 - Board adopted charges for Calendar Year (CY) 2021
 - Readiness-to-Serve (RTS) charge set at \$130 M
 - Capacity charge set at \$10,700 per cubic foot per second (CFS) - (\$38M)
 - Board approved biennial budget for Fiscal Years (FYs) 2020/21 and 2021/22, with revenue assumptions from charges for CY 2022, as follows:
 - RTS charge set at \$140 M
 - Capacity charge set at \$12,200 per CFS - (\$43M)
- FYs 2020/21 & 2021/22 Cost of Service Report Published May 2020 to support 2021 & 2022 RTS & Capacity Charge

Fixed Charges Determinations

RTS charge recovers capital costs of the portion of Metropolitan's system available for emergency service and available capacity during outages and hydrologic variability

- RTS charge for CY 2022 allocated to member agencies based on their ten-year rolling average firm demands for Fiscal Year (FY) 2010/11 to FY 2019/20

Capacity charge recovers capital costs of the portion of Metropolitan's system for peaking capacity

- Capacity charge for CY 2022 charged on the member agencies' peak day demand between May and September for 2018 to 2020

Requested Action

- Approve the Resolutions fixing and adopting the RTS charge and Capacity charge for CY 2022 at levels previously determined by the Board

Board Options

● Option # 1

- Approve resolutions fixing and adopting the RTS Charge and Capacity Charge for calendar year 2022.

● Option # 2

- Do not approve resolutions fixing and adopting a RTS Charge and a Capacity Charge for CY 2022. Direct staff to set a process to revisit FY 2021/22 of the biennial budget and the water rate for CY 2022 to address the resulting \$183.2 million deficit, and report back on the proposed process to the Board at its regular May 2021 meeting.

Staff Recommendation

- Option # 1
 - Approve resolutions fixing and adopting the RTS Charge and Capacity Charge for calendar year 2022.

