



Incorporate Use of the 2019/20 Fiscal Year-End Balance of the Water Stewardship Fund to fund all Demand Management Costs in the Proposed FY 2020/21 and 2021/22 Biennial Budget; and not Incorporate any Rate or Charge to Recover Demand Management Costs for Calendar Years 2021 and 2022

Finance and Insurance Committee

Item 8-2

December 9, 2019

# Allocation of Demand Management Costs

- May 2019: Overview of Demand Management Cost Functionalization
- July 2019: Demand Management Cost Functionalization for Metropolitan
- August 2019: “Report on Functional Assignment of Metropolitan’s Demand Management Costs” from *WaterDM*
- September and November 2019: Incorporating Demand Management Cost Functionalization recommendations into the Cost of Service process
- December 2019: Recommendation for Biennial Budget process, report on “Demand Management Cost Recovery Alternatives Report” from *Raftelis*
- February 2020: proposed water rates and charges for calendar years 2021 and 2022

Report from *Raftelis*:  
“Demand Management Cost Recovery Alternatives  
Report”

# Demand Management Cost Recovery Alternatives

Cost Recovery Component	Approx % of DM Costs <sup>1</sup>	Billing Determinant	Charge / Rate
<b>Alt 1 - Existing COS Methodology</b>			
T1 Supply	25%	Sales	\$/AF
System Access Rate	75%	All Transactions	\$/AF
<b>Alt 2 - Modified COS Methodology</b>			
T1 Supply	25%	Sales	\$/AF
System Access Rate	50%	All Transactions	\$/AF
System Power Rate	13%	All Transactions	\$/AF
Readiness-to-Serve Charge	10%	Existing RTS	\$/M
Capacity Charge	2%	Existing CC	\$/cfs
<b>Alt 3A - Functionalized Fixed Charge</b>			
Supply Portion	100%	10-yr Avg Sales	Fixed \$
Transportation Portion		10-yr Avg Transactions	
<b>Alt 3B - Non-Functionalized Fixed Charge based on Population</b>			
	100%	Population	Fixed \$
<b>Alt 3B - Non-Functionalized Fixed Charge based on Assessed Valuation</b>			
	100%	Assessed Valuation	Fixed \$

Using a hypothetical Revenue Requirement share; the actual relative shares will be calculated as a part of each cost of service analysis and will differ

# Estimated 2021 Member Agency Impacts of Demand Management Cost Recovery Alternatives

Based on \$100M Demand Management Revenue Requirement

Thousand of Dollars

\* WSR not currently collected on SDCWA Exchange

	Current WSR*	Alt #1	Alt #2	Alt #3A	Alt #3B - Pop	Alt #3B - AV
Anaheim	\$ 1,059	\$ 918	\$ 954	\$ 1,107	\$ 1,920	\$ 1,578
Beverly Hills	776	672	680	636	230	1,188
Burbank	1,077	933	917	836	570	810
Calleguas MWD	6,848	5,932	6,009	6,115	3,338	3,495
Central Basin MWD	2,938	2,545	2,572	2,679	8,247	5,056
Compton	0	0	11	47	483	158
Eastern MWD	6,912	5,988	6,053	5,551	4,355	2,720
Foothill MWD	605	524	532	511	433	634
Fullerton	514	445	458	499	715	680
Glendale	1,160	1,005	1,025	1,006	979	1,091
Inland Empire	4,155	3,599	3,650	3,652	4,534	3,883
Las Virgenes MWD	1,496	1,296	1,309	1,245	371	850
Long Beach	2,267	1,963	1,986	1,921	2,506	1,724
Los Angeles	18,887	16,360	16,726	16,409	21,258	20,730
MWDOC	15,819	13,703	13,775	13,147	12,447	17,067
Pasadena	1,389	1,203	1,215	1,146	877	1,049
SDCWA	10,463	22,442	21,644	24,182	17,009	17,368
San Fernando	2	1	1	2	129	66
San Marino	69	60	63	51	70	222
Santa Ana	671	581	599	678	1,756	902
Santa Monica	274	238	261	335	495	1,276
Three Valleys MWD	4,685	4,058	4,084	3,820	2,741	2,341
Torrance	1,166	1,010	1,024	973	721	992
Upper San Gabriel	3,041	2,635	2,494	2,040	4,587	3,580
West Basin MWD	8,626	7,472	7,484	7,018	4,301	6,929
Western MWD	5,100	4,417	4,475	4,392	4,931	3,610
<b>Total</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>

# Additional Options

- Delay Decision for Two Years, Using Water Stewardship Fund Balance
  - Incorporate the use of the 2019/20 fiscal year-end balance of the Water Stewardship Fund to fund demand management costs in the proposed Fiscal Years 2020/21 and 2021/22 Biennial Budget; and,
  - Not incorporate the Water Stewardship Rate, or any other rates or charges to recover demand management costs, with the proposed rates and charges for calendar years 2021 and 2022
- Status Quo to maintain Water Stewardship Rate
  - Allocated 100% to transportation (suspended from SDCWA exchange deliveries for calendar years 2018 through 2020)
  - 25-year capital planning period for transportation allocation concludes at the end of calendar year 2020
  - Status quo not recommended after the end of calendar year 2020

# Board Options

- Option #1

- Direct Staff:

- 1) To incorporate the use of the 2019/20 fiscal-year-end balance of the Water Stewardship Fund to fund all demand management costs in the proposed Fiscal Years 2020/21 and 2021/22 Biennial Budget; and,
- 2) To not incorporate the Water Stewardship Rate, or any other rates or charges to recover demand management costs, with the proposed rates and charges for calendar years 2021 and 2022

# Board Options

- Option #2

- Direct staff to incorporate Alternative #3A in the preparation of the proposed Biennial Budget and Cost of Service Report for Fiscal Years 2020/21 and 2021/22 and the proposed rates and charges effective January 1, 2021 and January 1, 2022, to be presented to the Board in February 2020



# Board Options

- Option #3

- Direct staff to incorporate a rate design alternative, other than Alternative #3A, in the preparation of the proposed Biennial Budget and Cost of Service Report for Fiscal Years 2020/21 and 2021/22 and the proposed rates and charges effective January 1, 2021 and January 1, 2022, to be presented to the Board in February 2020

# Staff Recommendation

- Option #1

