



*THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA*

Rate Structure Administrative Procedures Handbook

FY 2020/21

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1 Overview

The Rate Structure Administrative Procedures Handbook (Handbook) is provided to document Metropolitan's procedures for calculating, invoicing, collecting, and reconciling the components of Metropolitan's rate structure.

Metropolitan's current rate structure was adopted by its Board of Directors on October 16, 2001 through a lengthy and open process. The rate structure is designed in accordance with the Rate Structure Action Plan of December 12, 2000; the Composite Rate Structure framework of April 11, 2000; the Strategic Plan Policy Principles of December 14, 1999; and the Strategic Plan Steering Committee Guidelines of January 6, 2000.

The rate structure supports the strategic planning vision that Metropolitan is a regional provider of services, encourages the development of additional local supplies through programs such as recycling and conservation and accommodates a water transfer market. Through its regional services, Metropolitan ensures a baseline of reliability and quality for imported water deliveries in its service area. By unbundling its full-service water rate, Metropolitan provides transparency regarding its costs and a greater opportunity for member agencies to competitively manage their supplies and demands to meet future needs in a responsible and cost-effective manner.

This document supersedes all previous Rate Structure Administrative Procedures Handbooks and is supplemental and secondary to the definitions and procedures contained in Metropolitan's Administrative Code.

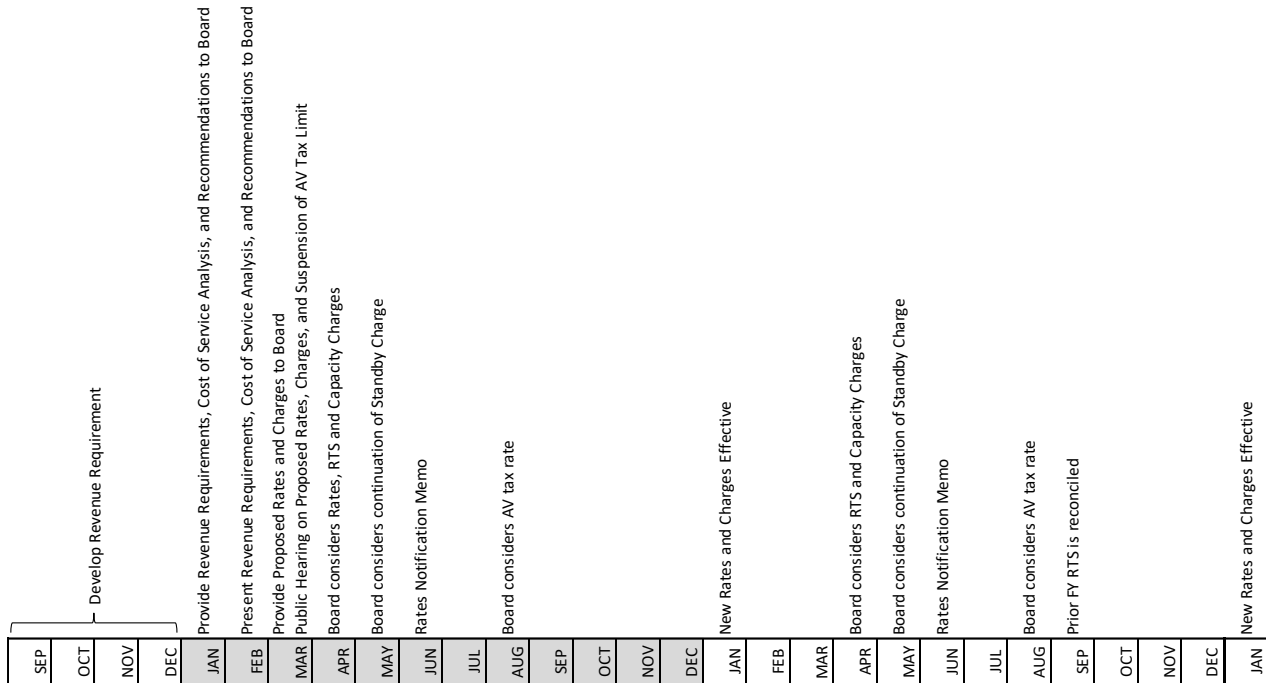
2 Rate Structure At-A-Glance

2.1 Current Rates

Table 1

	Effective January 1st	2020	2021	2022
Tier 1 Supply Rate (\$/AF)		\$208	\$243	\$243
Tier 2 Supply Rate (\$/AF)		\$295	\$285	\$285
System Access Rate (\$/AF)		\$346	\$373	\$389
Water Stewardship Rate (\$/AF)		\$65	\$0	\$0
System Power Rate (\$/AF)		\$136	\$161	\$167
Full Service Untreated Volumetric Cost (\$/AF)				
Tier 1		\$755	\$777	\$799
Tier 2		\$842	\$819	\$841
Treatment Surcharge (\$/AF)		\$323	\$327	\$344
Full Service Treated Volumetric Cost (\$/AF)				
Tier 1		\$1,078	\$1,104	\$1,143
Tier 2		\$1,165	\$1,146	\$1,185
Readiness-to-Serve Charge (\$M)		\$136	\$130	\$140
Capacity Charge (\$/cfs)		\$8,800	\$10,700	\$12,200

2.2 Typical Two-year Rate Cycle & Billing Cycle Milestones



Every two years, the Board adopts a biennial budget for two fiscal years and water rates for two calendar years. Every year, including in mid-budget years, the Board adopts the Readiness-to-Serve (RTS) and Capacity Charges for one calendar year and determines whether to continue the Standby Charge for another fiscal year.

In April 2020, the Board:

- (i) approved a Biennial Budget for fiscal year (FY) 2020/21 and FY 2021/22;
- (ii) adopted rates for calendar year (CY) 2021 and CY 2022; and
- (iii) adopted RTS and Capacity Charges for CY 2021.

In May 2020, the Board voted to continue the Standby Charge for FY 2020/21. In April 2021, the Board will consider whether to adopt charges (RTS and Capacity Charges) for CY 2022. In May 2021, the Board will consider whether to continue the Standby Charge for FY 2021/22.

Every year in August, the Board also sets the rates for ad valorem property taxes. The current biennial budget, rates, and charges adopted by the Board are based on maintaining the current ad valorem tax rate.

2.3 Water Services and Programs and Rate Components

2.3.1 Metropolitan Services to Member Agencies and Rate Components

Service	Rates & Charges That Apply						Treatment Surcharge
	System Access	Water Stewardship	System Power	Tier1/ Tier2	RTS	Capacity Charge	
Full Service Untreated	Yes	No*	Yes	Yes	Yes	Yes	No
Full Service Treated	Yes	No*	Yes	Yes	Yes	Yes	Yes
Wheeling Service**	Yes	No*	No***	No	Yes	Yes	Yes†

*In December 2019, the Board directed 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 FY 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 CYs 2021 and 2022.

**Metropolitan's rate for wheeling service applies to wheeling to member agencies in transactions of up to one year. The published wheeling rate, which has included the Water Stewardship Rate, is inapplicable for CYs 2021 and 2022. The rate for wheeling service at Metropolitan's Administrative Code Section 4405(b) is deemed inapplicable during that period. Any wheeling service to any member agency pursuant to Section 4405(a) will be provided at a price for the transaction to be agreed upon by Metropolitan and the member agency (as is already the case for wheeling of over one year to member agencies and wheeling of any duration to third parties).

***Under Metropolitan's rate for wheeling service, wheeling parties must pay for their own cost for power (if such power can be scheduled by Metropolitan) or pay Metropolitan for the actual cost (not system average) of power service utilized for delivery of the wheeled water. In addition, wheeling parties shall be assessed an administration fee of not less than \$5,000 per transaction.

†If applicable.

Full Service

Full service water service, formerly known as non-interruptible water service, includes water sold for domestic and municipal uses.

Wheeling Service

Wheeling Service, to which Metropolitan's rate for wheeling service normally applies, refers to the use of Metropolitan's facilities, including its rights to use State Water Project facilities, to transport water not owned or controlled by Metropolitan to its member public agencies, in transactions entered into by Metropolitan for a period of up to one year. The wheeling rate for such water service was previously applicable as set forth in Section 4405(b), and included the Water Stewardship Rate. However, pursuant to the Board's direction, the Water Stewardship Rate does not apply in CYs 2021 and 2022 and therefore, the rate for wheeling service at Metropolitan's Administrative Code Section 4405(b) is deemed inapplicable during that period. Any wheeling service to any member agency pursuant to Section 4405(a) will be provided at a price for the transaction to be agreed upon by Metropolitan and the member agency (as is already the case for wheeling of over one year to member agencies and wheeling of any duration to third parties). See Section 9 for more information regarding Metropolitan's wheeling service to its member agencies.

2.3.2 Programs and Rate Components

Program	Rates & Charges That Apply						Tier1 Maximum
	Supply	System Access	Water Stewardship	System Power	RTS	Capacity Charge	
Full Service	Yes	Yes	No*	Yes	Yes	Yes	Yes
Conjunctive Use	Yes	Yes	No*	Yes	Yes	No	Yes
Cyclic	Yes	Yes	No*	Yes	Yes	No	Yes
Emergency Storage	Yes	Yes	No*	Yes	No	No	No

*In December 2019, the Board directed 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 FY 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 CYs 2021 and 2022.

Conjunctive Use Program

The Conjunctive Use Program is operated through individual agreements with member and retail agencies for groundwater storage within Metropolitan’s service area. Wet-year imported supplies are stored to enhance reliability during dry, drought, and emergency conditions. Metropolitan has the option to call water stored in the groundwater basins for the participating member agency pursuant to its contractual conjunctive use agreement. At the time of the call, the member agency pays the prevailing rate for that water, but the deliveries are excluded from the calculation of the Capacity Charge because Conjunctive Use Program deliveries are made at Metropolitan’s discretion. Conjunctive use programs may also contain cost-sharing terms related to operational costs.

Cyclic Program

The Cyclic Program refers collectively to the existing Cyclic Storage Program agreements and the Pre-Deliveries Program. The Program is operated through individual agreements with member agencies for groundwater or surface water storage or pre-deliveries within Metropolitan’s service area. Wet-year imported supplies are stored or delivered in advance of a scheduled sale to enhance reliability for Metropolitan during dry, drought, and emergency conditions. Deliveries to the cyclic accounts are at Metropolitan’s discretion while member agencies have discretion on whether they want to accept the water. At the time the water is delivered from the cyclic account, the prevailing full-service rate applies, but deliveries are excluded from the calculation of the Capacity Charge because Cyclic Program deliveries are made at Metropolitan’s discretion. Cyclic agreements may also contain a credit payable to the member agencies under terms approved by the Board in April 2019.

Emergency Storage Program

The Emergency Storage Program is used for delivering water for emergency storage in surface water reservoirs and storage tanks. Emergency Storage Program purposes include initially filling a newly constructed reservoir or storage tank and replacing water used during an emergency. Because Metropolitan could interrupt delivery of this water, Emergency Storage Program Deliveries are excluded from the calculation of the RTS Charge, the Capacity Charge, and the Tier 1 maximum.

2.4 Billing Measurement Basis

Rate Component	Based on		Year Type	Notes
Tier 1 Limit (Tier 1/Tier 2 Breakpoint)	With Purchase Order: 90% Base Period Demand		Calendar	With Purchase Order: 10-year cumulative calculation Without Purchase Order: Annual
	Without Purchase Order: 60% of Revised Base Firm Demand			
	Base Period Demand	Choice of (1) Revised Base Firm Demand or (2) the highest fiscal year purchases in FY 03- FY 14, with potential reset to Five-Year Rolling-Average	Fiscal	One-year lag
	Revised Base Firm Demand	Amounts listed in Administrative Code Section 4122	Calendar	
RTS Charge	Ten-Year Rolling Average Firm Demands		Calendar	One-year lag
Capacity Charge	3-Year Trailing Peak		Calendar	One-year lag; Only May-Sept. flows

3 Purchase Order

3.1 Background

Purchase Orders are voluntary agreements that determine the amount of water that a member agency can purchase at the Tier 1 Supply Rate. Under the Purchase Orders, member agencies have the option to purchase a greater amount of water at the lower Tier 1 Supply Rate in exchange for a commitment to purchase a minimum amount of water (based on past purchase levels) over the term of the Purchase Order. Such agreements allow member agencies to manage costs and provide Metropolitan with a measure of secure revenue.

In November 2014, the Metropolitan Board approved new Purchase Orders effective January 1, 2015 through December 31, 2024 (the “Purchase Order Term”). Twenty-one of the twenty-six member agencies have Purchase Orders, which commit the member agencies to purchase a minimum amount of supply from Metropolitan (the “Purchase Order Commitment”).

The key terms of the Purchase Orders include:

- A ten-year term, effective January 1, 2015 through December 31, 2024;
- A higher Tier 1 limit based on the Base Period Demand, determined by the member agency’s choice between (1) the Revised Base Firm Demand, which is the highest fiscal year purchases during the 13-year period of FY 1990 through FY 2002, or the highest year in the most recent 12-year period of FY 2003 through FY 2014. The demand base is unique for each member agency, reflecting its use of Metropolitan’s system water over time;
- An overall purchase commitment by the member agency based on the Demand Base Period chosen, times ten to reflect the ten-year Purchase Order term. Those agencies choosing the more recent 12-year period may have a higher Tier 1 Maximum and commitment. The commitment is also unique for each member agency;
- The opportunity to reset the Base Period Demand using a five-year rolling average;
- Any obligation to pay the Tier 2 Supply Rate will be calculated over the ten-year period, consistent with the calculation of any Purchase Order commitment obligation; and
- An appeals process for agencies with unmet purchase commitments that will allow each acre-foot of unmet commitment to be reduced by the amount of production from a local resource project that commences operation on or after January 1, 2014.

Member agencies that do not have Purchase Orders in effect are subject to Tier 2 Supply Rates for amounts exceeding 60 percent of their base amount (equal to the member agency’s highest fiscal year demand between 1989-90 and 2001-02) annually.

3.2 Administration

3.2.1 Purchase Order Commitment

Purchase Order Commitments are unique for each member agency. The commitment is calculated based on the demand base chosen (the “Base Period Demand”) and multiplied by ten to reflect the ten-year Purchase Order Term. If a member agency opted to use the Revised Base Firm Demand, which is the highest fiscal year purchases during the original 13-year period of FY 1990 through FY 2002 for their Purchase Order, their Commitment is 60% of the 2003 Initial Base Firm Demand, the same as the previous Amended and Restated Purchase Order agreement, multiplied by ten. If a member agency opted to use the more recent 12-year period of FY 2003 through FY 2014 for their Purchase Order, their Commitment is 60% of the highest year in the period of FY 2003 through FY 2014, multiplied by ten. The Purchase Order Commitment is fixed for the Purchase Order Term.

At the end of the Purchase Order Term, if the member agency has not purchased enough firm supply to meet its Purchase Order Commitment, it will be billed for the remaining balance of the Purchase Order Commitment at the

average of the Tier 1 Supply Rate in effect during the Term. This payment may be prorated with interest evenly over the next 12 invoices.

If a member agency fulfills its Purchase Order Commitment prior to the end of the Purchase Order Term, then the member agency has met its obligation under the Purchase Order. The member agency may continue to purchase up to 90 percent of its cumulative Base Period Demand over the Term at the Tier 1 Supply Rate for the duration of the Purchase Order Term.

Firm water purchases made under the terms of the Purchase Order agreements are subject to reduction in accordance with the shortage allocation provisions of the Water Surplus and Drought Management Plan (WSDM Plan) implemented through the Water Supply Allocation Plan (WSAP). In the event that Metropolitan's Board or General Manager determines to reduce, interrupt or suspend deliveries of water, any outstanding balance of the Purchase Order Commitment at the end of the Term will be reduced by the "Purchase Order Commitment—Annual Average" for each and every fiscal or calendar year that a reduction, interruption or suspension occurred.

The following water sales will be counted toward the Purchase Order Commitment:

- Tier 1 sales
- Tier 2 sales
- Conjunctive Use sales
- Cyclic Program sales

The following table shows the remaining purchase order commitments:

Table 2

Purchase Orders (acre-feet)			
Member Agency	Commitments (Jan. 2015 - Dec. 2024)	Firm Purchases (Jan. 2015 - Feb. 2020)	Remaining PO Commitments
Anaheim	148,270	71,208	77,062
Beverly Hills	89,200	51,120	38,080
Burbank	108,910	75,021	33,889
Calleguas	788,180	457,726	330,454
Central Basin*	-	185,870	-
Compton*	-	62	-
Eastern	783,900	417,548	366,352
Foothill	73,310	40,410	32,900
Fullerton	75,320	32,207	43,113
Glendale	174,810	76,266	98,544
Inland Empire	398,350	281,637	116,713
Las Virgenes	162,390	98,650	63,740
Long Beach	263,140	142,196	120,944
Los Angeles	2,033,130	1,149,008	884,122
MWDOC	2,144,230	1,003,955	1,140,275
Pasadena	153,100	94,049	59,051
San Diego CWA*	-	1,003,513	-
San Fernando*	-	-	-
San Marino	9,610	4,821	4,789
Santa Ana	80,860	40,688	40,172
Santa Monica*	-	17,920	-
Three Valleys	537,920	323,117	214,803
Torrance	128,030	77,527	50,503
Upper San Gabriel	110,080	207,480	-
West Basin	902,780	579,103	323,677
Western MWD	705,220	328,048	377,172
TOTAL	9,870,740	6,759,151	4,416,354

*No Purchase Order

Data as of 3/2020

3.2.2 Tier 2 Supply Rate

The Tier 2 Supply Rate applies to purchases in excess of a member agency's Tier 1 Maximum, which is 60 percent of a member agency's Revised Base Firm Demand, for those without purchase orders, and 90 percent of the Base Period Demand, for those with purchase orders. The Base Period Demand is the peak year of the member agency's selected demand base period.

Unlike the fixed Purchase Order Commitment, the Tier 1 Maximum may increase over time. The five-year rolling average is compared to the Base Period Demand annually. If the five-year rolling average exceeds the current Base Period Demand, the Base Period Demand will reset to the current five-year rolling average. Once a Base Period Demand is reset it will not decrease.

For member agencies with Purchase Orders, the obligation to pay the Tier 2 Supply Rate will be calculated over the Purchase Order Term, consistent with the calculation of the commitment obligation. In this way, the Purchase Order

focuses any Tier 2 obligation on demands exceeding Metropolitan’s long-term averages. Calculating member agencies’ Tier 2 obligations over the entire Term also accommodates responsible and sustainable water management by member agencies that may be cost prohibitive if Tier 2 obligations were calculated annually. For example, the cumulative calculation of any Tier 2 obligation allows member agencies with Purchase Orders to take large amounts of water in a short period of time in order to replenish storage but still stay within their Tier 1 base demand as long as they manage their deliveries.

At the end of year five of the Purchase Order, no member agency had exceeded the Tier 1 Maximum. Therefore, any obligation to pay the Tier 2 Supply Rate will be calculated over the ten-year period, consistent with the calculation of any purchase order commitment obligation. Any member agency without a Purchase Order must pay their Tier 2 obligation in the calendar year in which it accrues.

The table below shows the Base Period Demand and Tier 1 Maximum for each member agency:

Table 3

Tier 1 annual maximum (acre-feet)					
Member Agency	Base Selected	5-Year Rolling Average No Allocation Years (FY14/15, FY16/17, FY17/18, FY18/19)	Base Reset Year	2021 Base	Annual Average Tier 1 Maximum
Anaheim	27,154	13,890		27,154	24,439
Beverly Hills	14,867	10,195		14,867	13,380
Burbank	18,640	14,426		18,640	16,776
Calleguas	131,364	90,791		131,364	118,228
Central Basin*	119,617	37,014		119,617	71,770
Compton*	5,620	6		5,620	3,372
Eastern	130,650	83,526		130,650	117,585
Foothill	13,081	8,164		13,081	11,773
Fullerton	12,554	6,902		12,554	11,299
Glendale	29,135	15,380		29,135	26,222
Inland Empire	103,648	59,696		103,648	93,283
Las Virgenes	27,065	20,033		27,065	24,359
Long Beach	57,560	29,969		57,560	51,804
Los Angeles	372,959	224,228	2016	415,136	373,623
MWDOC	357,372	214,117		357,372	321,635
Pasadena	25,517	18,540		25,517	22,965
San Diego CWA*	655,903	216,691		655,903	393,542
San Fernando*	1,049	25		1,049	629
San Marino	1,602	956		1,602	1,442
Santa Ana	21,797	8,871		21,797	19,617
Santa Monica*	12,344	3,761		12,344	7,406
Three Valleys	89,653	62,620		89,653	80,688
Torrance	21,338	15,559		21,338	19,204
Upper San Gabriel	74,698	42,818		74,698	67,228
West Basin	150,464	113,562		150,464	135,418
Western MWD	117,537	68,744		117,537	105,783
TOTAL	2,593,188	1,380,484		2,635,365	2,133,470

*No Purchase Order; T1 maximum is annual, not cumulative

Data as of 3/2020

4 Tier 1 and Tier 2 Supply Rates

4.1 Purpose

The Tier 1 Supply Rate is a volumetric rate charged on Metropolitan water sales that are within a member agency's Tier 1 maximum, reflecting the costs of water supply. The Tier 2 Supply Rate is a volumetric rate that reflects Metropolitan's cost of purchasing water transfers north of the Delta. The Tier 2 Supply Rate encourages the member agencies and their customers to maintain existing local supplies and develop cost-effective local supply resources and conservation.

Due to Metropolitan's role as a supplemental supplier of imported water, Metropolitan's water transactions are highly variable and unpredictable from year to year. Variation occurs for many reasons. The demand for supplemental supplies is dependent on water use at the retail consumer level and the amount of local water supplies available to member agencies. Consumer demand and locally supplied water vary from year to year, resulting in variability in Metropolitan's water transactions. Both economic growth and recessions can lead to increases and decreases in demand. Weather also affects demands. Member agencies rely on Metropolitan during times of operational emergencies.

The cost of service analysis and the resulting RTS Charge, Capacity Charge, and volumetric rates capture the costs of these varying needs. Tiered rates allow Metropolitan to cover higher incremental resource costs and encourage member agencies to manage demand and other sources in a manner that is consistent to Metropolitan's long-term average forecasts.

4.2 Administration

The rate structure recovers supply costs through a two-tiered price structure. Both the Tier 1 Supply Rate and the Tier 2 Supply Rate are uniform, volumetric rates. The Tier 2 Supply Rate is charged to member agencies that have demands from Metropolitan that exceed their Tier 1 Maximum.

Member agencies that submitted a Purchase Order may purchase up to 90 percent of their Base Period Demand at the lower Tier 1 Supply Rate. At the end of year five of the Purchase Order, no member agency had exceeded the Tier 1 Maximum. Therefore, any obligation to pay the Tier 2 Supply Rate will be calculated over the ten-year period, consistent with the calculation of any purchase order commitment obligation.

Member agencies that did not submit a Purchase Order will be charged the higher Tier 2 Supply Rate for supplies that exceed 60 percent of their Revised Base Firm Demand. Any member agency without a Purchase Order must pay their Tier 2 obligation in the calendar year in which it accrues.

An agency that exceeds its Tier 1 Annual Limit will most likely do so in the latter part of the calendar year. Therefore, from a member agency cash flow perspective, the Tier 2 Supply Rate, when applicable, will most likely be incurred at the beginning of a member agency's fiscal year.

4.3 Tier 2 Supply Rate Billing Method

Because the Tier 1 Maximum is set at a total member agency level and not at a meter level, all system water delivered will be billed at the Tier 1 Supply Rate. Any water delivered that exceeds the Tier 1 maximum will be billed an additional amount equivalent to the difference between the Tier 2 and Tier 1 Supply Rates.

For member agencies without Purchase Orders and member agencies with Purchase Orders that accrue a cumulative Tier 2 obligation at the end of year five of the Purchase Order, the Tier 2 Supply Rate will be applied in the month where the Tier 1 maximum is surpassed on all applicable deliveries. For member agencies with a Purchase Order that do not accrue a cumulative Tier 2 obligation at the end of year five of the Purchase Option, any obligation to pay the Tier 2 Supply Rate will be calculated over the ten-year period, at the end of the Purchase Order term, consistent with the calculation of any Purchase Order Commitment obligation.

4.4 Certification Effects

As water sales are reclassified via the certification process, the year-to-date total of Tier 1 and Tier 2 purchases may also be changed. If the total falls below the Tier 1 Maximum, then the volume of water that had been billed at the Tier 2 Supply Rate will be adjusted for the difference between the Tier 2 and Tier 1 Supply Rates. Credits and charges will be applied to the monthly invoice as appropriate.

5 Capacity Charge

5.1 Purpose

The Capacity Charge recovers costs incurred to provide peaking capacity within Metropolitan's distribution system.

The Capacity Charge provides a price signal to encourage member agencies to reduce peak day demands on the system and to shift demands that occur during the May 1 through September 30 period into the October 1 through April 30 period. This results in more efficient utilization of Metropolitan's existing infrastructure and defers capacity expansion costs.

5.2 Administration

Each member agency will pay the Capacity Charge based on a three-year trailing maximum peak day flow. Due to accepted certifications and error corrections, peak day flows may change for up to three years after the month of delivery. Therefore, the Three Year Trailing Max Peak Day is calculated with a one-year lag.

Table 4

Calendar Year 2021 Capacity Charge					
AGENCY	Peak Day Demand (cfs) (May 1 through September 30) Calendar Year				Rate (\$/cfs): \$10,700
	2017	2018	2019	3-Year Peak	Calendar Year 2021 Capacity Charge
Anaheim	33.0	37.2	37.1	37.2	398,040
Beverly Hills	25.7	27.8	23.5	27.8	297,460
Burbank	14.0	17.1	17.3	17.3	185,110
Calleguas	186.5	184.7	168.9	186.5	1,995,550
Central Basin	36.7	39.2	48.6	48.6	520,020
Compton	0.1	6.9	2.9	6.9	73,830
Eastern	216.6	225.1	223.3	225.1	2,408,570
Foothill	18.6	19.9	16.0	19.9	212,930
Fullerton	13.0	13.3	13.1	13.3	142,310
Glendale	41.4	33.5	32.2	41.4	442,980
Inland Empire	140.5	147.8	118.7	147.8	1,581,460
Las Virgenes	44.6	45.9	39.4	45.9	491,130
Long Beach	55.2	80.4	51.8	80.4	860,280
Los Angeles	250.4	284.6	283.2	284.6	3,045,220
MWDOC	418.6	442.3	263.2	442.3	4,732,610
Pasadena	39.9	43.0	40.0	43.0	460,100
San Diego	749.7	855.5	672.0	855.5	9,153,850
San Fernando	-	-	-	-	-
San Marino	7.5	4.5	2.3	7.5	80,250
Santa Ana	19.9	19.3	19.4	19.9	212,930
Santa Monica	16.6	16.7	20.7	20.7	221,490
Three Valleys	126.4	142.9	128.1	142.9	1,529,030
Torrance	34.0	32.6	27.8	34.0	363,800
Upper San Gabriel	12.1	23.3	29.1	29.1	311,370
West Basin	201.7	202.4	211.8	211.8	2,266,260
Western	175.2	194.7	170.5	194.7	2,083,290
Total	2,877.9	3,140.6	2,660.9	3,184.1	34,069,870

Totals may not foot due to rounding

Data as of 3/2020

5.3 Adjustment for Excluded Transactions

Some water programs are not subject to the Capacity Charge. Some water programs are certified on a monthly basis and it is not known at what point in time during a month that water was delivered. Metered daily flows used to calculate the Three Year Trailing Max Peak Day are reduced using the ratio of certified water program deliveries to total monthly deliveries (see example below). This adjustment is performed annually in November.

Monthly volumetric delivery to member agency (acre-feet)	1,000
Monthly delivery certified as exempt from Capacity Charge	100
Ratio of exempt delivery to total delivery	10.0%
Unadjusted Peak Day Flow (cfs)	40.0
Reduction in peak day flow (cfs) = Peak Day Flow * Ratio	4.0
Adjusted Peak Day Flow (cfs)	36.0

5.4 Adjustment for Conjunctive Use Program

Conjunctive Use deliveries are excluded from the calculation of the Capacity Charge because Conjunctive Use Program deliveries are made at Metropolitan's discretion. Peak day flows are adjusted for Conjunctive Use Program deliveries as described in 5.3 above.

5.5 Adjustment for Cyclic Program

Cyclic deliveries are excluded from the calculation of the Capacity Charge because Cyclic deliveries are made at Metropolitan's discretion. Peak day flows are adjusted for Cyclic deliveries as described in 5.3 above.

5.6 Adjustment for H-Constant Meters

Beginning January 1, 2004, agencies that receive deliveries using connections with "H Constant Meters" or non-AMR meters will have the daily average flow in cfs calculated for those meters included in the Capacity Charge. The daily average flow will only be calculated for the period that the meter was in operation.

Due to data constraints, the daily average flow for "H Constant Meters" or non-AMR meters will be calculated using the entire month as a denominator for any period prior to January 1, 2004.

5.7 Billing

Member agencies may elect to pay their Capacity Charge semiannually, quarterly, or monthly. Unless the member agency provides a written request to the Chief Financial Officer by July 31st to change its current billing preference it will continue to be billed under its current preference.

Billing for the Capacity Charge will be based on the Resolution adopted by Metropolitan's Board at its April meeting. Billing determinants for the Capacity Charge will be determined based on billing data around March 1st of the year prior to the test year. Certifications for water programs must be received by this date to be included in the billing determinants for the capacity charge.

For the purpose of assessing the Capacity Charge, the daily average flows by meter are calculated as the average of 96 meter reads recorded every 15-minute interval during the day. These daily average meter flows are aggregated for each member agency to develop the daily average flows for the agency. This calculation is repeated for each day in the applicable 15-month period (May through September, of last three years). The highest daily average flow establishes the peak day demand for the purpose of computing the Capacity Charge.

6 Readiness-To-Serve Charge

6.1 Purpose

The Readiness-to-Serve (“RTS”) Charge recovers the costs of providing emergency storage capacity and available capacity to meet outages and hydrologic variability.

6.2 Administration

The RTS Charge is a fixed charge that is allocated among the member agencies based on each agency’s proportional share of a ten-fiscal year rolling average of all firm demands, including water exchanges and transfers (such as wheeling) that use Metropolitan system capacity.

Firm demands include:

- Tier 1 sales
- Tier 2 sales
- Seasonal Storage Service – Shift sales
- Conjunctive Use sales
- Cyclic Program sales
- Water transfers (such as wheeling)
- Water exchanges

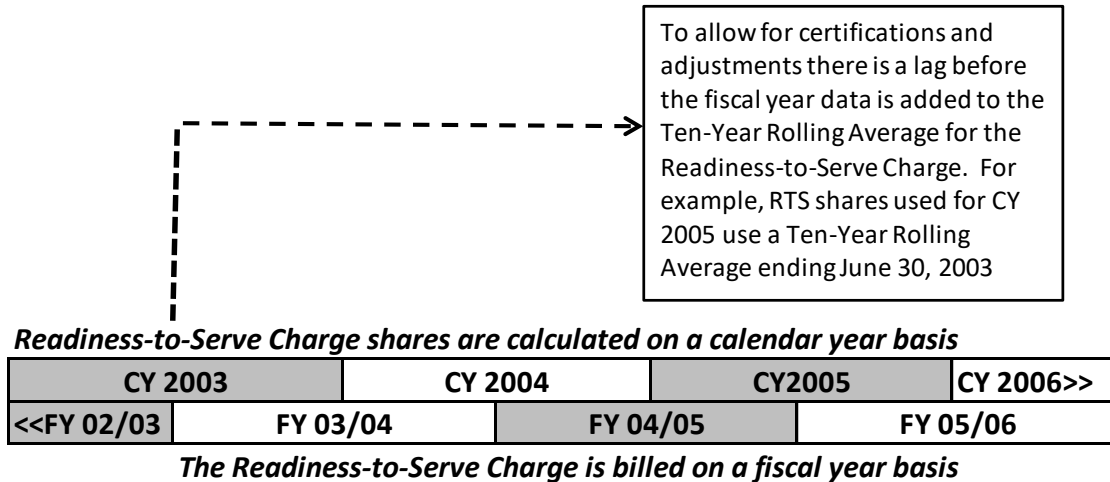
The table below shows the Total RTS Charge effective during Fiscal Year 2020/21.

Table 5

Fiscal Year 2020/21 READINESS-TO-SERVE (RTS) CHARGE							
Member Agency	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY2008/09 - FY2017/18	RTS Share	6 months @ \$136 million per year (7/20-12/20)	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY2009/10 - FY2018/19	RTS Share	6 months @ \$130 million per year (1/21-6/21)	Total RTS Charge
Anaheim	18,484.7	1.19%	\$ 808,227	17,327.0	1.17%	\$ 763,281	\$ 1,571,508
Beverly Hills	10,636.8	0.68%	465,085	10,447.3	0.71%	460,220	\$ 925,304
Burbank	12,505.3	0.80%	546,783	12,323.6	0.84%	542,874	\$ 1,089,657
Calleguas	100,327.3	6.45%	4,386,723	97,187.9	6.59%	4,281,277	\$ 8,668,000
Central Basin	45,375.1	2.92%	1,983,986	42,103.2	2.85%	1,854,711	\$ 3,838,697
Compton	1,052.6	0.07%	46,024	779.3	0.05%	34,329	\$ 80,353
Eastern	95,589.5	6.15%	4,179,567	94,362.5	6.40%	4,156,814	\$ 8,336,381
Foothill	8,761.7	0.56%	383,098	8,395.4	0.57%	369,830	\$ 752,928
Fullerton	8,520.9	0.55%	372,569	8,125.5	0.55%	357,941	\$ 730,510
Glendale	17,219.1	1.11%	752,890	16,548.0	1.12%	728,965	\$ 1,481,855
Inland Empire	58,335.2	3.75%	2,550,655	56,560.7	3.83%	2,491,586	\$ 5,042,242
Las Virgenes	20,859.4	1.34%	912,059	20,448.6	1.39%	900,792	\$ 1,812,851
Long Beach	31,074.3	2.00%	1,358,696	30,374.2	2.06%	1,338,030	\$ 2,696,727
Los Angeles	298,801.6	19.21%	13,064,838	269,779.5	18.28%	11,884,203	\$ 24,949,041
MWDOC	214,227.5	13.77%	9,366,909	207,817.5	14.08%	9,154,682	\$ 18,521,591
Pasadena	19,306.1	1.24%	844,142	18,839.6	1.28%	829,913	\$ 1,674,056
San Diego	287,538.4	18.49%	12,572,364	258,318.0	17.51%	11,379,307	\$ 23,951,671
San Fernando	35.7	0.00%	1,561	35.6	0.00%	1,568	\$ 3,129
San Marino	854.7	0.05%	37,371	837.7	0.06%	36,902	\$ 74,273
Santa Ana	11,281.3	0.73%	493,265	10,780.4	0.73%	474,893	\$ 968,158
Santa Monica	6,403.0	0.41%	279,966	5,511.2	0.37%	242,777	\$ 522,742
Three Valleys	62,968.2	4.05%	2,753,229	62,229.1	4.22%	2,741,288	\$ 5,494,517
Torrance	16,507.9	1.06%	721,793	15,990.2	1.08%	704,393	\$ 1,426,186
Upper San Gabriel	22,639.8	1.46%	989,905	26,406.0	1.79%	1,163,225	\$ 2,153,130
West Basin	116,023.0	7.46%	5,073,004	115,327.9	7.82%	5,080,372	\$ 10,153,376
Western	69,876.5	4.49%	3,055,289	68,688.3	4.66%	3,025,826	\$ 6,081,114
MWD Total	1,555,205.6	100.00%	\$ 68,000,000	1,475,544.2	100.00%	\$ 65,000,000	\$ 133,000,000

Totals may not foot due to rounding
Data as of 3/2020

6.3 RTS Charge Annual Calculation and Application Timeline



6.4 Application of Standby Charge Revenues

Twenty-two of the twenty-six member agencies have elected since FY 1993/94 to have Metropolitan collect the Standby Charge on property tax bills for parcels of land in the agency's service area to offset all or a portion of their RTS obligation.

See Section 7 of this Handbook for more detail on Standby Charge revenues.

6.5 RTS Charge Invoice Schedule

Member agencies may elect to pay their RTS obligation (net of estimated Standby Charge revenues, if applicable) semiannually, quarterly, or monthly. Each year, member agencies will be notified of the amount payable under each alternative payment schedule for the fiscal year. Member agencies will notify Metropolitan prior to July 31 of their choice for their RTS Charge payment schedule for fiscal year invoices.

Semi-annual payments will be invoiced with the October and April water invoices, due in December and June, respectively. Quarterly charges will be invoiced with the July, October, January, and April water invoices, due September, December, March, and June, respectively. Monthly charges paid in twelve (12) equal installments will be invoiced beginning with the July water invoice, which is due in September, and ending with the June water invoice, which is due in August.

In the event that actual net Standby Charge revenues collected in an agency's service area exceed the member agency's RTS obligation, the excess revenues may (1) be credited to other outstanding obligations of such member agency to Metropolitan that may be paid by the Standby Charge, or (2) carried forward to offset future RTS obligations.

Billing for the RTS Charge is based on the Resolution, as adopted by the Board at its April meeting. Billing determinants for the RTS Charge will be determined based on billing data around March 1st of the year the new charge goes into effect. Certifications for water programs must be received by this date to be included in the billing determinants for the RTS Charge.

If any member agency believes there is a miscalculation of its RTS Charge, we ask that member agency staff notify the Chief Financial Officer’s Budget and Financial Planning contacts identified in this Handbook. Staff will work with member agency representatives to resolve any miscalculations in a timely manner.

6.6 Estimated Net RTS Charge

Table 6 indicates the estimated net RTS Charge obligation for FY 2020/21, after application of estimated standby charge collections.

Table 6

ESTIMATED NET FY 2020/21 READINESS-TO-SERVE (RTS) CHARGE					
Member Agency	Total RTS Charge	ESTIMATED STANDBY CHARGES			Estimated Net RTS Charge
		Gross Standby Charge Revenues	Delinquencies & Administrative	Net Standby Charge	
Anaheim	\$ 1,571,508	\$ 586,789	\$ 26,631	\$ 560,159	\$ 1,011,349
Beverly Hills	925,304	-	-	-	925,304
Burbank	1,089,657	413,833	17,895	395,938	693,719
Calleguas MWD	8,668,000	2,484,527	111,319	2,373,207	6,294,793
Central Basin MWD	3,838,697	3,552,963	157,784	3,395,179	443,518
Compton	80,353	90,721	4,464	86,257	(5,904)
Eastern MWD	8,336,381	2,784,940	129,869	2,655,071	5,681,310
Foothill MWD	752,928	311,994	13,877	298,117	454,811
Fullerton	730,510	377,521	16,723	360,798	369,712
Glendale	1,481,855	551,143	24,120	527,023	954,832
Inland Empire Utilities Agency	5,042,242	1,979,191	91,171	1,888,020	3,154,221
Las Virgenes MWD	1,812,851	429,823	19,657	410,166	1,402,685
Long Beach	2,696,727	1,124,411	49,233	1,075,178	1,621,549
Los Angeles	24,949,041	-	-	-	24,949,041
Municipal Water District of Orange County	18,521,591	7,497,253	330,243	7,167,010	11,354,581
Pasadena	1,674,056	460,865	20,243	440,622	1,233,434
San Diego County Water Authority	23,951,671	12,774,707	562,078	12,212,629	11,739,042
San Fernando	3,129	-	-	-	3,129
San Marino	74,273	40,972	1,868	39,104	35,169
Santa Ana	968,158	431,940	19,801	412,139	556,019
Santa Monica	522,742	-	-	-	522,742
Three Valleys MWD	5,494,517	1,858,926	81,365	1,777,561	3,716,956
Torrance	1,426,186	496,476	21,728	474,748	951,439
Upper San Gabriel Valley MWD	2,153,130	1,983,041	89,169	1,893,872	259,259
West Basin MWD	10,153,376	-	-	-	10,153,376
Western MWD	6,081,114	3,571,097	160,653	3,410,444	2,670,670
MWD Total	\$ 133,000,000	\$ 43,803,133	\$ 1,949,890	\$ 41,853,242	\$ 91,146,757

Totals may not foot due to rounding

Data as of 3/2020

7 Standby Charge

7.1 Purpose

Metropolitan's Standby Charge is collected from parcels within the service areas of 22 member agencies that have elected since FY 1993/94 to pay all or a portion of their RTS Charge obligation through the Standby Charge. Each year, the Board considers the continuation of the Standby Charge for the participating member agencies at amounts not to exceed the rates in place in FY 1996/97, when Proposition 218 was approved by the voters. The Standby Charge rates for the participating member agencies have not exceeded the rates since FY 1993/94.

7.2 Standby Charge Per Parcel

The Standby Charge for each acre or parcel of less than an acre will vary from member agency to member agency as shown in Table 7. The Standby Charge has been collected at rates that do not exceed the rates set in FY 1993/94.

Table 7

Estimated Standby Charge Revenues FY2020/21			
Member Agencies	Total Parcel Charge	Number of Parcels or Acres	Gross Revenues ⁽¹⁾
Anaheim	\$ 8.55	68,630	\$ 586,789
Beverly Hills	-	-	-
Burbank	14.20	29,143	413,833
Calleguas MWD	9.58	259,345	2,484,527
Central Basin MWD	10.44	340,322	3,552,963
Compton	5.00	18,144	90,721
Eastern MWD	6.94	401,288	2,784,940
Foothill MWD	10.28	30,350	311,994
Fullerton	10.71	35,249	377,521
Glendale	12.23	45,065	551,143
Inland Empire Utilities Agency	7.59	260,763	1,979,191
Las Virgenes MWD	8.03	53,527	429,823
Long Beach	12.16	92,468	1,124,411
Los Angeles	-	-	-
MWD of Orange ⁽²⁾	10.09	659,398	7,497,253
Pasadena	11.73	39,289	460,865
San Diego CWA	11.51	1,109,879	12,774,707
San Fernando	-	5,102	-
San Marino	8.24	4,972	40,972
Santa Ana	7.88	54,815	431,940
Santa Monica	-	-	-
Three Valleys MWD	12.21	152,246	1,858,926
Torrance	12.23	40,595	496,476
Upper San Gabriel Valley MWD	9.27	213,920	1,983,041
West Basin MWD	-	-	-
Western MWD of Riverside Co.	9.23	386,901	3,571,097
MWD Total		4,301,414	\$ 43,803,133
(1) Estimates per FY2019/20 applied amounts			
(2) Adjusted for inclusion of Coastal MWD			
Note: Totals may not foot due to rounding			

7.3 Collections

The Standby Charge is collected on the tax rolls, together with *ad valorem* property taxes. Any Standby Charge amounts so collected will be applied as a credit against the participating member agency's RTS Charge obligation. Delinquent payments collected on behalf of a member agency will be credited to the member agency in the year of collection. Copies of reports and/or statements from county tax collectors showing standby charges collected on behalf of a member agency are available for inspection at Metropolitan's headquarters and will be provided to member agencies upon request.

If a participating member agency's Standby Charge collections exceed that agency's RTS Charge obligation, those additional collections shall be credited to other outstanding obligations of that agency that fund the capital costs or maintenance and operation expenses for Metropolitan's water system, or future RTS Charge obligations of such agency. If a participating member agency's Standby Charge collections are not sufficient to meet that agency's RTS Charge obligation, that agency shall pay Metropolitan within fifty days after Metropolitan issues an invoice for any remaining RTS Charge obligation.

7.4 Estimation of Net Standby Charge Revenues

Metropolitan estimates net Standby Charge revenues that would be available as a credit against a member agency's RTS obligation for the following fiscal year. The estimate of gross Standby Charge revenue is based on the most recent estimate of the number of parcels or acres (billing units) in each member agency's service area, which is the current fiscal year 2019/20.

The Standby Charge revenues estimate also includes a reduction for Standby Charges that will not be collected by Metropolitan during the current fiscal year. Actual Standby Charge revenue received by Metropolitan on behalf of member agencies may be less than projected collections due to:

- Delinquent collections
- Unbilled charges
- County charges for collection services
- Exempted properties.

Revenue adjustments for FY 2020/21 were estimated to be 2 percent of each member agency's gross Standby Charge revenues based on past collections.

7.5 Administrative Charges

Metropolitan contracts for the administration of the Standby Charge. The estimated costs for this service (data management, the acquisition of county assessors tax rolls, and revenue collections) for each agency is allocated to member agencies from which Standby Charges are collected according to proportionate billing units Metropolitan will determine the amount of actual Standby Charge revenues collected on behalf of member agencies for the previous fiscal year ending June 30. Actual administrative charges will then be allocated to member agencies in proportion to the number of billing units associated with actual Standby Charge revenues received from county tax collectors for the fiscal year to determine actual net Standby Charge revenues.

7.6 Invoice Adjustments

Metropolitan will prepare a statement by September 30 reconciling estimated and actual net Standby Charge revenues for the previous fiscal year ending June 30. Copies of all documentation supporting the accounting review are available at Metropolitan headquarters.

Metropolitan is responsible for making the adjustments on the next regularly scheduled water invoice (October 10). Credits or additional charges are shown on a separate line noted "Readiness-to-Serve Adjustment" for the previous fiscal year. If a member agency's actual net Standby Charge revenues in the fiscal year are higher than its estimated net Standby Charge revenues, the difference will be credited to the agency in the manner set forth in the Resolution and in Section 7.3 above. If a member agency's actual net Standby Charge revenues in the fiscal year are less than its estimated net Standby Charge revenues, the difference will be invoiced as an adjustment to RTS charges.

7.7 Exemptions

The Standby Charge resolution provides that the following lands are exempt from the Standby Charge: (1) lands owned by the Government of the United States, the State of California, or by any political subdivisions thereof or any entity of local government; (2) lands permanently committed to open space and maintained in their natural state that are not now and will not in the future be supplied water; (3) lands not included in (1) or (2) above, which the General Manager, in his discretion, finds do not now and cannot reasonably be expected to derive a benefit from the projects to which the proceeds of the Standby Charge will be applied; and (4) lands within any member public agency, subagency, or city if the governing body of such public entity elects and commits to pay out of funds available for that purpose, in installments at the time and in the amounts established by Metropolitan, the entire amount of the Standby Charge which would otherwise be imposed upon lands within those public entities.

Each year Metropolitan makes available to interested parties procedures for filing an Application to be Exempt from the Standby Charge. Metropolitan reviews any such applications for exemption and determines whether or not the lands are eligible for exemption. If it is determined that the lands are eligible for exemption, an Exemption Agreement is signed by both parties and recorded at the respective county. If the exemption request is denied, there is an appeals process by which the Finance & Insurance Committee shall consider such appeal and make recommendations to the Board to affirm or reverse the General Manager's determinations. The Board acts upon such recommendations and its decision as to such appeals is final.

No exemption from the Standby Charge shall reduce the applicable member agency's RTS Charge obligation, nor shall any failure to collect, or any delay in collecting, any portion of the Standby Charge excuse or delay payment of any portion of the RTS Charge when due.

8 Local Resources Program Effective Rate

Metropolitan provides financial incentives through its Local Resources Program (LRP) for the development of local water supplies, including recycled water and recovered water. The incentive is based on the difference between the LRP Effective Rate (referenced in the LRP agreements as Metropolitan's "full service treated water rate" or "Treated Non-Interruptible Water Rate") and the project's per unit (\$/AF) cost. For new projects, member agencies can choose instead from three alternative incentive payment structures: up to \$340/AF sliding scale incentive over 25 years, up to \$475/AF sliding scale incentive over 15 years, and up to \$305 fixed incentive over 25 years.

8.1 Full Service Treated Rate / Treated Non-Interruptible Water Rate

Since the current rate structure utilizes a tiered pricing system, the LRP Effective Rate is determined using the weighted average of the tiered "Full Service Treated Water Rate" or "Treated Non-Interruptible Water Rate". The LRP Effective Rate is the sum of the System Access Rate, Water Stewardship Rate, System Power Rate and Tier 1 or Tier 2 Supply Rates, respectively, plus the Treatment Surcharge. Therefore for purposes of agreements existing under the Local Resources Program, the "Full Service Treated Water Rate" or "Treated Non-Interruptible Water Rate" is now defined as being equal to the sum of the System Access Rate, Water Stewardship Rate, System Power Rate, Treatment Surcharge and weighted average (by expected Tier 1 and Tier 2 sales) of the Tier 1 and Tier 2 Supply Rates effective in the relevant calendar year, and the Capacity Charge expressed in dollars per acre-foot. Metropolitan staff calculates this LRP effective rate annually. For CYs 2021 and 2022, no Water Stewardship Rate applies. Therefore, the LRP Effective Rate effective January 1, 2021 and January 1, 2022, do not include any amount for a Water Stewardship Rate.

**Table 8
Local Resources Program Effective Rate**

Effective date	\$/AF
1/1/06	\$479
1/1/07	\$503
1/1/08	\$530
1/1/09	\$603
9/1/09	\$721
1/1/10	\$724
1/1/11	\$767
1/1/12	\$817
1/1/13	\$862
1/1/14	\$908
1/1/15	\$948
1/1/16	\$967
1/1/17	\$999
1/1/18	\$1,036
1/1/19	\$1,068
1/1/20	\$1,096
1/1/21	\$1,128

9 Wheeling

9.1 Metropolitan Wheeling Service

Subject to the General Manager's determination of available system capacity, Metropolitan will offer wheeling service. The determination whether there is unused capacity in Metropolitan's conveyance system will be made by the General Manager on a case-by-case basis in response to particular requests for wheeling. Wheeling service, to which Metropolitan's rate for wheeling service normally applies, refers to the use of Metropolitan's facilities, including Metropolitan's rights to use State Water Project facilities, to transport water not owned or controlled by Metropolitan to its member public agencies, in transactions entered into by Metropolitan for a period of up to one year. The rate for wheeling service to Metropolitan's member agencies normally includes the System Access Rate, Water Stewardship Rate and, for treated water, the Treatment Surcharge. In addition, wheeling parties must pay for their own cost for power (if such power can be scheduled by the District) or pay the District for the cost (not system average) of power service utilized for delivery of the wheeled water. Further, wheeling parties shall be assessed an administration fee of not less than \$5,000 per transaction.

Pursuant to the Board's direction, the Water Stewardship Rate does not apply in CYs 2021 and 2022 and therefore, the rate for wheeling service at Metropolitan's Administrative Code Section 4405(b) is deemed inapplicable during that period. Any wheeling service to any member agency pursuant to Section 4405(a) will be provided at a price for the transaction to be agreed upon by Metropolitan and the member agency (as is already the case for wheeling of over one year to member agencies and wheeling of any duration to third parties).

9.2 Capacity Charge

Wheeled water will be included in the measurement of the peak day flow for the purpose of billing the Capacity Charge to member agencies.

9.3 Readiness-to-Serve Charge

Wheeled water will be included in the calculation of a member agency's Ten Year Rolling Average demands for allocating the RTS Charge among member agencies.

Organizational Responsibility

Administrative Procedure	Group	Section	Contact		
			Name	Email	Phone
Rate Cycle (setting rates & charges)					
	Chief Financial Officer	Budget & Financial Planning	Arnout Van den Berg	avandenberg@mdh2o.com	213-217-5771
		Budget & Financial Planning	Stathis Kostopoulos	skostopoulos@mdh2o.com	213-217-6955
Billing (Invoices)					
	Chief Financial Officer	Controller	Bernadette Robertson	mwdwaterbilling@mdh2o.com	213-217-7547
		Controller	Maria Galvan	mwdwaterbilling@mdh2o.com	213-217-7892
		Controller	Melissa Tang	mwdwaterbilling@mdh2o.com	213-217-76542
Special Program Certifications					
Cyclic Programs/Conjunctive Use Program/Emergency Storage Program	Water System Operations	Water Operations & Planning	Keith Nobriga	knobriga@mdh2o.com	213-217-6540
Local Resources Program	Water Resource Management	Resource Implementation	James Bodnar	jbodnar@mdh2o.com	213-217-6099
Conservation Credits Program	Water Resource Management	Resource Implementation	Bill McDonnell	bmcdonnell@mdh2o.com	213-217-7693