



# Rate Refinement Discussions

Member Agency Managers Meeting  
August 24, 2012

## Overview

- Purchase Orders
  - Extension / Renewal
  - Tier 1 limit calculation
  - Terms
- Improved Revenue Stability
  - Treated Water Cost Recovery
  - Fix Ad Valorem Tax
- Incentive-based Storage Program
- F&I Committee workshop questions

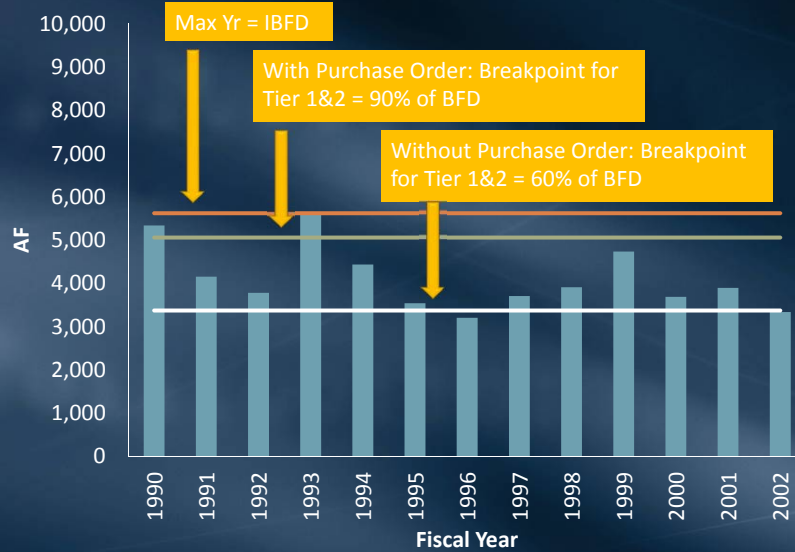
## Purchase Orders

- Component of rate structure effective January 1, 2003
- 10-year term, January 1, 2003 through December 31, 2012
- Aspects of Purchase Order:
  - Voluntary
  - Offered price incentives; allowed more water sales to be purchased at the lower Tier 1 Supply Rate
  - Minimum purchase commitment to Metropolitan over 10 years
  - Not tied to reliability
- 23 member agencies executed Purchase Orders
  - San Fernando, San Marino and Compton do not have Purchase Orders

## Purchase Order Computation

- Initial Base Firm Demand = highest firm sales from fiscal year 1989/90 through 2001/02
- Base Firm Demand = higher of IBFD or the rolling ten-year average of firm demands
- Purchase Order commitment:  $60\% * \text{Initial Base Firm Demand} * 10 \text{ years}$ 
  - Tier 1 limit with Purchase Order =  $90\% * \text{Base Firm Demand}$
  - Tier 1 limit without Purchase Order =  $60\% * \text{Base Firm Demand}$
- Commitment adjusted for reductions, interruptions, or suspension of deliveries
- Tier 1 limit adjusted for phase-out of the IAWP

## Purchase Order & Supply Rates



## Extension or Renewal of Purchase Orders

- Roll forward calculation or reevaluate based on work performed in the Rate Refinement process
  - Current calculation for CY 2013 is 2.0 MAF
  - Resource-based analysis supported 1.9 MAF
  - Tier 2 only in effect in a dry year
- Recommend to extend/renew for 5 years
  - Action required by governing bodies?
- Other aspects of Rate Refinement could be implemented as part of the next biennial budget

## Outstanding Items

- Baseline for Tier 1 Limit Calculation
- Storage Proposal
  - Annual minimum full service sales purchase before participation?
  - Calculation of incentive
  - Applicability of charges?
  - How often would water be available?
- Treated Water Cost Recovery

## Schedule/Process to Move Forward

- Member Agency Managers meetings
  - June 15, July 13, August 24, September 14
- Rate Refinement Workgroup to meet between Managers meetings
  - Friday, June 29
  - Wednesday, July 25
  - Monday, August 13
  - Thursday, August 30
  - Wednesday, September 26
- Board Information letter in October 2012
- Board Action letter in November 2012
  - Administrative Code changes

# Timeline : Rate Refinement

