



The Metropolitan Water District of Southern California

NEWS RELEASE

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SOUTHLAND'S WATER SUPPLY CHALLENGES CONSIDERED AS METROPOLITAN BOARD ADOPTS \$1.9 BILLION SPENDING PLAN Board also adopts new rates, charges for 2008-09

Maintaining reliable imported water supplies for more than 18 million Southern Californians in the face of unprecedented challenges, Metropolitan Water District's Board of Directors today approved a \$1.98 billion spending plan for 2008-09.

The board also approved a 9.8 percent increase in the district's base wholesale water rate as well as a special surcharge to purchase additional supplies. Those supplies are needed to help compensate for a loss of up to 30 percent of the Southland's supplies from Northern California because of court-imposed pumping restrictions due to endangered species in the Sacramento-San Joaquin Delta on top of a long-term drought on the Colorado River.

"Over the next few years, we must continue to work creatively with our 26 member public agencies to manage our supply challenges as well as the rising cost of energy, financing capital improvements and operating and maintaining our water distribution system," said Metropolitan board Chairman Timothy F. Brick. "These costs include the need to acquire increasingly costly water transfers and more aggressive water conservation."

The 2008-09 spending plan is \$140 million higher than the 2007-08 budget primarily because of the cost of water transfers, increases in the costs to deliver state project supplies, rising bond debt service costs, and Metropolitan's efforts to control the spread of highly invasive quagga mussels.

From July 1, 2008 to June 30, 2009, Metropolitan's capital budget is \$468.9 million, covering 20 major construction contracts and more than 300 projects. Improvements include construction of the Inland Feeder water line to help deliver water to Diamond Valley Lake in southwest Riverside county; two other major imported pipelines serving southwest Riverside and San Diego counties; and the addition of ozone facilities at two district treatment plants to help meet increasingly rigorous water quality regulations.

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Reflecting Metropolitan's commitment to ensuring supply reliability, the budget includes \$53.7 million—a \$10.7 million increase—in financial assistance to MWD's member agencies for conservation, recycling and groundwater clean-up projects. In addition, Metropolitan will continue its public outreach efforts to shift the region's water-saving focus from inside to outside the home, where up to 70 percent of water is used.

Metropolitan's new rates and 2008-09 budget anticipate water sales of 2.23 million acre-feet during the fiscal year. To help cover costs, Metropolitan plans to use about \$166 million from the district's rate stabilization reserve fund to meet expenditures and avoid additional rate impacts.

The board established rates and charges that will become effective January 1, 2009 for all components of the district's tiered rate structure. That structure breaks down Metropolitan's rates into separate charges that reflect wholesale costs to treat, deliver and develop supplies.

Along with the increase in the district's base rate, the board approved a \$25-per-acre-foot surcharge that would fund purchases of up to 200,000 acre-feet of additional supplies. Purchases on the water transfer market are necessary to make up for reductions in State Water Project deliveries from the Delta due to a federal court order addressing declining populations of the threatened Delta smelt. (An acre-foot is nearly 326,000 gallons, about the amount of water used by two typical Southland families in and around their homes in a year.)

The rate adjustment and supply surcharge amounts to a 14.3 percent overall increase in the cost of Metropolitan's wholesale supplies to the district's public agencies. The effect on Southland consumers will depend on how much of Metropolitan's imported water is purchased by their local water agency to augment supplies, such as groundwater. For the average household, the total rate increase equates to about \$1.50 per month.

Under the board action today, raw water purchased and delivered under Metropolitan's full-service, tier one rate will be \$412 per acre-foot, while drinking water treated at the district's regional filtration plants will cost \$579 per acre-foot. Metropolitan's full-service, tier two untreated rate will be \$528 per acre-foot, and treated tier two water will increase to \$695 per acre-foot. The difference between the basic upper and lower tier rates reflects Metropolitan's cost for acquiring new supplies.

For more information on Metropolitan, visit the district's Web site at www.mwdh2o.com.

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The Metropolitan Water District of Southern California is a cooperative of 26 cities and water agencies serving 18 million people in six counties. The district imports water from the Colorado River and Northern California to supplement local supplies, and helps its members to develop increased water conservation, recycling, storage and other resource-management programs.