



*THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA*

Rate Structure Administrative Procedures Handbook

FY 2024/25

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1 Overview

The Rate Structure Administrative Procedures Handbook (Handbook) is provided to inform Metropolitan's member agencies of 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. On August 18, 2020, the Board of Directors repealed the Administrative Code sections that established the wheeling service it previously made available to its member agencies (short-term wheeling service under one year) and the pre-set wheeling rate for that wheeling service. As a result of the Board's action, short-term wheeling to member agencies is now determined on a case-by-case basis and is set by contract, as has been done for wheeling service for member agencies lasting more than one year and wheeling for third parties. Additionally, on November 23, 2021, the Board acted to direct staff to incorporate all demand management costs into Metropolitan's supply rate elements for future rates and charges proposals, eliminating the Water Stewardship Rate element.

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. The level of rate unbundling in Metropolitan's rate structure provides transparency to identify the costs of the operational functions corresponding to the particular rate elements and charges.

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 and the Metropolitan Water District Act.

2 Rate Structure At-A-Glance

2.1 Current Rates and Charges

Table 1

	Effective January 1st	2024	2025	2026
Supply Rate*			\$290	\$313
Tier 1 Supply Rate (\$/AF)*	\$332	-	-	-
Tier 2 Supply Rate (\$/AF)*	\$531	-	-	-
System Access Rate (\$/AF)	\$389	\$463	\$492	
System Power Rate (\$/AF)	\$182	\$159	\$179	
Full Service Untreated Volumetric Cost (\$/AF) *			\$912	\$984
Tier 1	\$903	-	-	
Tier 2	\$1,102	-	-	
Treatment Surcharge (\$/AF)	\$353	\$483	\$544	
Full Service Treated Volumetric Cost (\$/AF) *			\$1,395	\$1,528
Tier 1	\$1,256	-	-	
Tier 2	\$1,455	-	-	
Readiness-to-Serve Charge (\$M)	\$167	\$181	\$188	
Capacity Charge (\$/cfs)	\$11,200	\$13,000	\$14,500	

*On November 14, 2023, at the FAIRP meeting, staff presented to the Board the status of the 2014 Purchase Order agreements, which will expire on December 31, 2024. The adopted FY 2024/25 and FY 2025/26 Biennial Budget does not assume that the purchase order contracts will be renewed. As a result, the Tier 2 rate is not included in the proposed rates and charges for CYs 2025 and 2026; there is only a single supply rate. Metropolitan will revisit the purchase order commitments and similar structures as needed during the business model review through the CAMP4W process.

2.2 Typical Two-year Rate Cycle & Billing Cycle Milestones

SEP	
OCT	Develop Revenue Requirement
NOV	
DEC	
JAN	
FEB	Present Revenue Requirements, Cost of Service Analysis, and Recommendations to Board
MAR	Provide Proposed Rates and Charges to Board Public Hearing on Proposed Rates, Charges, and Suspension of AV Tax Limit
APR	Board considers Rates, RTS and Capacity Charges
MAY	Board considers continuation of Standby Charge
JUN	Rates Notification Memo
JUL	
AUG	Board considers AV tax rate
SEP	
OCT	
NOV	
DEC	
JAN	New Rates and Charges Effective
FEB	
MAR	
APR	Board considers RTS and Capacity Charges
MAY	Board considers continuation of Standby Charge
JUN	Rates Notification Memo
JUL	
AUG	Board considers AV tax rate
SEP	Prior FY RTS is reconciled
OCT	
NOV	
DEC	
JAN	New Rates and Charges Effective

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.

On April 9, 2024, the Board:

- Approved a Biennial Budget for fiscal year (FY) 2024/25 and FY 2025/26;
- Adopted rates for calendar year (CY) 2025 and CY 2026; and,
- Adopted RTS and Capacity Charges for CY 2025.

On May 14, 2024, the Board voted to continue the Standby Charge for FY 2024/25.

In April 2025, the Board will consider adoption of the RTS and Capacity Charges for CY 2026.

In May 2025, the Board will consider continuation of the Standby Charge for FY 2025/26.

The Board also sets the rates for ad valorem property taxes every August. The current biennial budget, rates, and charges adopted by the Board are based on setting a rate of .007 percent of assessed value, compared to the current year's .0035 percent 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	System Power	Tier1/ Tier2	RTS	Capacity Charge	
Full Service Untreated	Yes	Yes	Yes	Yes	Yes	No
Full Service Treated	Yes	Yes	Yes	Yes	Yes	Yes

Full Service

Full service water includes water sold for domestic and municipal uses.

Wheeling Service

As of January 1, 2021, any wheeling service for any member agency for transactions of up to one year will be provided at a price agreed upon by the parties, as was already the case for wheeling of over one year to member agencies and wheeling of any duration to third parties.

2.3.2 Programs and Rate Components

Program	Rates & Charges That Apply					Tier1 Maximum
	Supply	System Access	System Power	RTS	Capacity Charge	
Full Service	Yes	Yes	Yes	Yes	Yes	Yes
Conjunctive Use	Yes	Yes	Yes	Yes	No	Yes
Cyclic	Yes	Yes	Yes	Yes	No	Yes
Reverse-Cyclic	Yes	Yes	Yes	Yes	No	Yes
Emergency Storage	Yes	Yes	Yes	No	No	No
Operational Shift Cost-Offset	Yes	Yes	Yes	Yes	Yes	Yes

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 under 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 purchased from the cyclic account, the prevailing full-service rate applies, and the purchases are counted towards the member agency's Readiness-to-Serve Charge. However, 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 pursuant to Board-approved programs, such as the Cyclic Cost Offset Program.

Reverse-Cyclic Program

The Reverse-Cyclic Program is operated through individual agreements with member agencies. These agreements allow member agencies to purchase water for delivery in a future wet year. Metropolitan will deliver the water within five years at its sole discretion. Under this program, the purchase and billing occurs at the full-service water rate, plus the treatment surcharge, if applicable, before delivery of water. The purchases are counted towards the member agency's Readiness-to-Serve Charge. However, deliveries are excluded from the calculation of the Capacity Charge because Reverse-Cyclic Program deliveries are made at Metropolitan's discretion.

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.

Operational Cost Offset-Credit Program

The Operational Cost Offset-Credit Program (OSCO) is operated through individual agreements with member agencies. Through these agreements, cost-offset credits are offered to member agencies to offset the estimated additional costs and risks incurred by an agency as a result of voluntary operational changes requested by Metropolitan for the purpose of maximizing Metropolitan's water resources. All water delivered under the OSCOP is billed at Metropolitan's applicable full-service rate. Credits are reported as budgeted supply program costs.

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 Without Purchase Order: 60% of Revised Base Firm Demand	Calendar	With Purchase Order: 10-year cumulative calculation Without Purchase Order: Annual	
	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	18-month lag	
Capacity Charge	3-Year Trailing Peak	Calendar	18-month 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”). On November 14, 2023, at the FAIRP meeting, staff presented to the Board the status of the 2014 Purchase Order agreements, which will expire on December 31, 2024. The adopted FY 2024/25 and FY 2025/26 Biennial Budget does not assume that the purchase order contracts will be renewed. As a result, the Tier 2 rate is not included in the proposed rates and charges for CYs 2025 and 2026; there is only a single supply rate. Metropolitan will revisit the purchase order commitments and similar structures as needed during the business model review through the CAMP4W process.

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 (2) 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, multiplied by 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, its 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 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) or other mandatory shortage programs. 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
- Reverse-Cyclic Program sales
- Operational Shift Cost-Offset Program sales

At times, such as those described in Administrative Code Section 4504(b), it may be necessary to use a calculated minimum or maximum flow rate or estimated flow rate in place of actual metered deliveries. In these instances, the calculated or estimated flows will be considered as though they are normal water sales and included in a member agency’s firm demands, billed according to the appropriate rates, and included in the determination of applicable charges, except as specified in the Administrative Code.

The following table shows the remaining purchase order commitments as of April 2024, as revised pursuant to the FY 15/16 WSAP and Emergency Water Conservation Program implementations:

Table 2

Purchase Orders (acre-feet)			
Member Agency	Commitments^(2,3) (Jan. 2015 - Dec. 2024)	Firm Purchases (Jan. 2015 - April 2024)	Remaining PO Commitments
Anaheim	111,203	222,690	-
Beverly Hills	66,900	87,179	-
Burbank	81,683	98,822	-
Calleguas	591,135	790,734	-
Central Basin ⁽¹⁾	-	286,964	-
Compton ⁽¹⁾	-	83	-
Eastern	587,925	770,920	-
Foothill	54,983	74,901	-
Fullerton	56,490	55,678	812
Glendale	131,108	134,969	-
Inland Empire	298,763	505,513	-
Las Virgenes	121,793	169,466	-
Long Beach	197,355	237,231	-
Los Angeles	1,524,848	2,234,108	-
MWDOC	1,608,173	1,589,796	18,376
Pasadena	114,825	169,764	-
San Diego CWA ⁽¹⁾	-	1,240,579	-
San Fernando ⁽¹⁾	-	4,608	-
San Marino	7,208	9,309	-
Santa Ana	60,645	70,897	-
Santa Monica ⁽¹⁾	-	46,698	-
Three Valleys	403,440	562,293	-
Torrance	96,023	135,816	-
Upper San Gabriel	82,560	431,506	-
West Basin	677,085	1,011,457	-
Western MWD	528,915	610,336	-
TOTAL	7,403,055	11,552,316	19,188

(1) No Purchase Order

(2) Includes 10% (12 months) commitment reduction due to WSAP implementation in FY 2015/16

(3) Includes 15% (18 months) commitment reduction due to 2022 Regional Drought Emergency Resolution (starting Nov 2021) and 2022 Emergency Water Conservation Program (Apr 2022-Mar 2023)

Data as of 4/2024

3.2.2 Tier 2 Supply Rate

The adopted FY 2024/25 and FY 2025/26 Biennial Budget does not assume that the purchase order contracts will be renewed. As a result, the Tier 2 rate is not included in the proposed rates and charges for CYs 2025 and 2026; there is only a single supply rate. Metropolitan will revisit the purchase order commitments and similar structures as needed during the business model review through the CAMP4W process.

The current 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 (FY18/19 - FY22/23)	Base Reset Year	2024 Base	Annual Average Tier 1 Maximum
Anaheim	27,154	31,170	2024	31,170	28,053
Beverly Hills	14,867	9,269		14,867	13,380
Burbank	18,640	10,628		18,640	16,776
Calleguas	131,364	85,186		131,364	118,228
Central Basin*	119,617	22,498		119,617	71,770
Compton*	5,620	11		5,620	3,372
Eastern	130,650	86,656		130,650	117,585
Foothill	13,081	8,438		13,081	11,773
Fullerton	12,554	5,713		12,554	11,299
Glendale	29,135	14,539		29,135	26,222
Inland Empire	103,648	60,451		103,648	93,283
Las Virgenes	27,065	18,300		27,065	24,359
Long Beach	57,560	24,204		57,560	51,804
Los Angeles	372,959	238,546	2016	415,136	373,623
MWDOC	357,372	160,352		357,372	321,635
Pasadena	25,517	18,792		25,517	22,965
San Diego CWA*	655,903	75,304		655,903	393,542
San Fernando*	1,049	593		1,049	629
San Marino	1,602	1,024		1,602	1,442
Santa Ana	21,797	7,729		21,797	19,617
Santa Monica*	12,344	5,448		12,344	7,406
Three Valleys	89,653	63,544		89,653	80,688
Torrance	21,338	14,390		21,338	19,204
Upper San Gabriel	74,698	48,799		74,698	67,228
West Basin	150,464	110,059		150,464	135,418
Western MWD	117,537	66,956		117,537	105,783
TOTAL	2,593,188	1,188,599		2,639,381	2,137,084

*No Purchase Order; T1 maximum is annual, not cumulative
Data as of 7/2023

4 Tier 1 and Tier 2 Supply Rates

4.1 Purpose

The Tier 1 Supply Rate is a volumetric rate element 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 element 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. The adopted FY 2024/25 and FY 2025/26 Biennial Budget does not assume that the purchase order contracts will be renewed. As a result, the Tier 2 rate is not included in the proposed rates and charges for CYs 2025 and 2026; there is only a single supply rate. Metropolitan will revisit the purchase order commitments and similar structures as needed during the business model review through the CAMP4W process.

Due to Metropolitan's role as a wholesale supplier of imported water and a voluntary cooperative with no minimum purchase requirements, Metropolitan's water transactions are highly variable from year to year. Variation occurs for many reasons. The demand for imported 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 as well.

The cost-of-service analysis and the resulting RTS Charge, Capacity Charge, and volumetric rate elements 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 with 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 rate elements. The Tier 2 Supply Rate is charged to member agencies that have demands from Metropolitan that exceed their Tier 1 Maximum.

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, 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, 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 change. 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 monthly invoices 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 an 18-month lag.

Table 4

Calendar Year 2025 Capacity Charge					
AGENCY	Peak Day Demand (cfs) (May 1 through September 30) Calendar Year				Rate (\$/cfs): \$13,000
	2021	2022	2023	3-Year Peak	Calendar Year 2025 Capacity Charge
Anaheim	77.2	74.5	64.0	77.2	1,003,600
Beverly Hills	24.8	23.7	20.6	24.8	322,400
Burbank	15.5	8.4	16.3	16.3	211,900
Calleguas	189.6	138.8	159.6	189.6	2,464,800
Central Basin	54.1	47.1	53.7	54.1	703,300
Compton	-	-	3.2	3.2	41,600
Eastern	179.6	187.3	200.8	200.8	2,610,400
Foothill	22.8	16.1	14.9	22.8	296,400
Fullerton	20.0	15.1	13.8	20.0	260,000
Glendale	32.5	31.8	29.0	32.5	422,500
Inland Empire	101.4	95.2	99.5	101.4	1,318,200
Las Virgenes	42.9	34.8	37.9	42.9	557,700
Long Beach	45.7	44.1	41.4	45.7	594,100
Los Angeles	579.4	633.1	452.2	633.1	8,230,300
MWDOC	336.3	282.0	233.6	336.3	4,371,900
Pasadena	48.2	38.3	33.0	48.2	626,600
San Diego	672.5	841.9	543.9	841.9	10,944,700
San Fernando	-	5.3	5.0	5.3	68,900
San Marino	5.4	4.9	4.3	5.4	70,200
Santa Ana	18.3	18.0	6.2	18.3	237,900
Santa Monica	15.1	18.0	21.0	21.0	273,000
Three Valleys	138.3	86.6	110.4	138.3	1,797,900
Torrance	27.2	29.0	27.1	29.0	377,000
Upper San Gabriel	32.4	25.3	11.5	32.4	421,200
West Basin	218.2	173.7	171.7	218.2	2,836,600
Western	179.8	177.4	180.6	180.6	2,347,800
Total	3,077.2	3,050.4	2,555.2	3,339.3	43,410,900

Totals may not foot due to rounding
Data as of 3/2024

5.3 Transaction Adjustments

Because some water programs are not subject to the Capacity Charge, metered daily flows used to calculate the Three-Year Trailing Max Peak Day are reduced using the ratio of excluded 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 Reverse Cyclic Program

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

5.7 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.

Except for adjustments described in Sections 5.3, 5.4, 5.5, and 5.6 above, in instances when a meter flow volume is certified on a monthly basis and daily flow readings are unavailable, Metropolitan will calculate a daily average flow in cfs for the applicable month and include the calculated average flow rate in the Capacity Charge peaking data.

5.8 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. Certifications for water programs must be received by March 1st 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, except as noted in 5.7 above. 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, which may include water exchanges and transfers 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
- Reverse Cyclic sales
- Operations Shift Cost-Offset sales

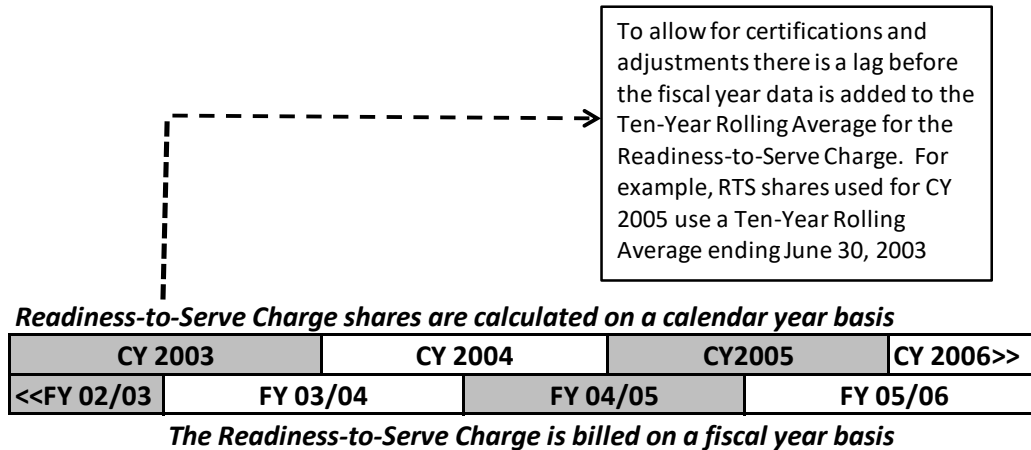
Table 5 below shows the final Total RTS Charge effective during Fiscal Year 2024/25.

Table 5

Fiscal Year 2024/25 READINESS-TO-SERVE (RTS) CHARGE							
Member Agency	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY2012/13 - FY2021/22	RTS Share	6 months @ \$167 million per year (7/24-12/24)	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY2013/14 - FY2022/23	RTS Share	6 months @ \$181 million per year (1/25-6/25)	Total RTS Charge FY 2024/25
Anaheim	21,455.1	1.51%	\$ 1,258,154	23,001.9	1.69%	\$ 1,526,826	\$ 2,784,980
Beverly Hills	10,205.1	0.72%	598,440	9,858.1	0.72%	654,364	1,252,804
Burbank	12,718.9	0.89%	745,852	11,540.0	0.85%	766,005	1,511,858
Calleguas	95,178.2	6.68%	5,581,370	90,313.9	6.62%	5,994,880	11,576,250
Central Basin	33,127.5	2.33%	1,942,638	31,768.2	2.33%	2,108,718	4,051,356
Compton	179.0	0.01%	10,497	12.0	0.00%	797	11,293
Eastern	98,347.5	6.91%	5,767,222	96,726.8	7.09%	6,420,557	12,187,779
Foothill	8,584.8	0.60%	503,424	8,399.5	0.62%	557,544	1,060,968
Fullerton	6,943.1	0.49%	407,152	6,528.4	0.48%	433,344	840,496
Glendale	16,034.1	1.13%	940,260	15,436.0	1.13%	1,024,615	1,964,875
Inland Empire	59,972.9	4.21%	3,516,887	57,672.1	4.23%	3,828,174	7,345,061
Las Virgenes	20,371.3	1.43%	1,194,599	19,302.4	1.42%	1,281,260	2,475,859
Long Beach	29,143.9	2.05%	1,709,035	27,777.5	2.04%	1,843,822	3,552,857
Los Angeles	289,217.7	20.31%	16,960,092	272,316.9	19.97%	18,075,923	35,036,015
MWDOC	194,843.4	13.68%	11,425,863	187,038.3	13.72%	12,415,278	23,841,141
Pasadena	19,240.7	1.35%	1,128,299	19,104.9	1.40%	1,268,150	2,396,449
San Diego	195,939.0	13.76%	11,490,111	175,570.9	12.88%	11,654,092	23,144,202
San Fernando	85.4	0.01%	5,008	312.4	0.02%	20,737	25,745
San Marino	1,020.4	0.07%	59,838	1,035.1	0.08%	68,708	128,546
Santa Ana	9,104.1	0.64%	533,876	8,648.2	0.63%	574,053	1,107,928
Santa Monica	4,511.6	0.32%	264,566	4,783.2	0.35%	317,501	582,066
Three Valleys	64,396.5	4.52%	3,776,292	62,674.4	4.60%	4,160,218	7,936,510
Torrance	15,339.7	1.08%	899,539	15,088.8	1.11%	1,001,568	1,901,108
Upper San Gabriel	34,238.2	2.40%	2,007,771	38,526.1	2.83%	2,557,296	4,565,067
West Basin	114,036.4	8.01%	6,687,239	111,549.0	8.18%	7,404,429	14,091,668
Western	69,677.5	4.89%	4,085,977	68,413.1	5.02%	4,541,143	8,627,120
MWD Total	1,423,912.0	100.00%	\$ 83,500,000	1,363,398.1	100.00%	\$ 90,500,000	\$ 174,000,000

Totals may not foot due to rounding
Data as of 3/2024

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 is adopted. 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 2024/25, after application of estimated standby charge collections.

Table 6

ESTIMATED NET FY 2024/25 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	\$ 2,784,980	\$ 595,741	\$ 4,664	\$ 591,077	\$ 2,193,903
Beverly Hills	1,252,804	-	-	-	1,252,804
Burbank	1,511,858	412,380	2,764	409,616	1,102,242
Calleguas MWD	11,576,250	2,496,211	18,783	2,477,428	9,098,821
Central Basin MWD	4,051,356	3,562,663	26,066	3,536,596	514,760
Compton	11,293	11,903	496	11,407	(114)
Eastern MWD	12,187,779	3,011,935	25,556	2,986,380	9,201,399
Foothill MWD	1,060,968	311,555	2,291	309,264	751,704
Fullerton	840,496	378,352	2,746	375,605	464,891
Glendale	1,964,875	549,645	3,835	545,810	1,419,065
Inland Empire Utilities Agency	7,345,061	2,011,661	16,468	1,995,193	5,349,868
Las Virgenes MWD	2,475,859	426,564	3,418	423,147	2,052,712
Long Beach	3,552,857	1,124,369	7,858	1,116,511	2,436,346
Los Angeles	35,036,015	-	-	-	35,036,015
Municipal Water District of Orange County	23,841,141	7,577,622	54,006	7,523,615	16,317,526
Pasadena	2,396,449	465,169	3,285	461,884	1,934,565
San Diego County Water Authority	23,144,202	12,617,839	89,602	12,528,238	10,615,965
San Fernando	25,745	-	-	-	25,745
San Marino	128,546	40,963	325	40,638	87,907
Santa Ana	1,107,928	514,017	4,148	509,870	598,059
Santa Monica	582,066	-	-	-	582,066
Three Valleys MWD	7,936,510	1,848,927	12,907	1,836,020	6,100,490
Torrance	1,901,108	496,602	3,465	493,137	1,407,971
Upper San Gabriel Valley MWD	4,565,067	1,993,223	15,166	1,978,057	2,587,010
West Basin MWD	14,091,668	-	-	-	14,091,668
Western MWD	8,627,120	3,583,126	27,304	3,555,822	5,071,298
MWD Total	\$ 174,000,000	\$ 44,030,467	\$ 325,152	\$ 43,705,315	\$ 130,294,684

Totals may not foot due to rounding
Data as of 3/2024

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 FY2024/25			
Member Agencies	Total Parcel Charge	Number of Parcels or Acres	Gross Revenues ⁽¹⁾
Anaheim	\$ 8.55	69,677	\$ 595,741
Beverly Hills	-	-	\$ -
Burbank	14.20	29,041	\$ 412,380
Calleguas MWD	9.58	260,565	\$ 2,496,211
Central Basin MWD	10.44	341,251	\$ 3,562,663
Compton	0.66	18,035	\$ 11,903
Eastern MWD	6.94	433,996	\$ 3,011,935
Foothill MWD	10.28	30,307	\$ 311,555
Fullerton	10.71	35,327	\$ 378,352
Glendale	12.23	44,942	\$ 549,645
Inland Empire Utilities Agency	7.59	265,041	\$ 2,011,661
Las Virgenes MWD	8.03	53,121	\$ 426,564
Long Beach	12.16	92,465	\$ 1,124,369
Los Angeles	-	-	\$ -
MWD of Orange ⁽²⁾	10.09	666,450.24	\$ 7,577,622
Pasadena	11.73	39,656	\$ 465,169
San Diego CWA	11.51	1,096,250	\$ 12,617,839
San Fernando	0	5,102	\$ -
San Marino	8.24	4,971	\$ 40,963
Santa Ana	7.88	65,231	\$ 514,017
Santa Monica	-	-	\$ -
Three Valleys MWD	12.21	151,427	\$ 1,848,927
Torrance	12.23	40,605	\$ 496,602
Upper San Gabriel Valley MWD	9.27	215,019	\$ 1,993,223
West Basin MWD	-	-	\$ -
Western MWD of Riverside Co.	9.23	388,204	\$ 3,583,126
MWD Total		4,346,685	\$ 44,030,467
(1) Estimates per FY 2023/24 applied amounts and Adjusted due to reorganization of Fallbrook Public Utility District parcels out from San Diego County Water Authority to Eastern MWD.			
(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.

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 2024/25 were estimated to be 0.5 percent of each member agency's gross Standby Charge revenues based on past collections.

7.5 Administrative Charges

Metropolitan uses third-party services to administer the Standby Charge. The estimated costs for this service (data management, the acquisition of county assessor's tax rolls, and revenue collections) are allocated to member agencies from which Standby Charges are collected according to each agency's proportional share of total billed parcels (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. 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, that the General Manager 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 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 appeal process by which the Finance, Audit, Insurance, & Real Property 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/AF 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." 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, 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. Beginning in CY 2025, a single supply rate will replace the weighted average of Tier 1 and Tier 2 Supply Rates previously used in the calculation of the LRP Effective Rate. Metropolitan staff calculates this LRP effective rate annually.

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
1/1/22	\$1,170
1/1/23	\$1,231
1/1/24	\$1,279
1/1/25	\$1,427
1/1/26	\$1,564

9 Organizational Responsibility

Administrative Procedure	Group	Section	Contact		
			Name	Email	Phone
Rate Cycle (setting rates & charges)					
	Chief Financial Officer	Budget & Financial Planning	Khanh Phan	kphan@mwdh2o.com	213-217-7533
Billing (Invoices)					
	Chief Financial Officer	Controller	Bernadette Robertson	mwdwaterbilling@mwdh2o.com	213-217-7547
		Controller	Maria Galvan	mwdwaterbilling@mwdh2o.com	213-217-7892
		Controller	Melissa Tang	mwdwaterbilling@mwdh2o.com	213-217-76542
Special Program Certifications					
Cyclic Programs/Conjunctive Use Program/Emergency Storage Program	Water System Operations	Water Operations & Planning	Keith Nobriga	knobriga@mwdh2o.com	213-217-6540
Local Resources Program	Water Resource Management	Resource Implementation	Kira Alonzo	kalonzo@mwdh2o.com	213-217-6489
Conservation Credits Program	Water Resource Management	Resource Implementation	Kira Alonzo	kalonzo@mwdh2o.com	213-217-7693

