

WEST BASIN MUNICIPAL WATER DISTRICT**OCTOBER 21, 2002 – Finance Committee**
Smith, Dear**OCTOBER 28, 2002 – Board Meeting**

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Approved by: Darryl G. Miller

ACTION CALENDAR

AMENDED WATER RATES RESOLUTION AND
IMPORTED WATER PURCHASE AGREEMENT WITH CUSTOMERS
REGULATED BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION

SUMMARY:

The following District customers are private water companies regulated by the California Public Utilities Commission (PUC): California-American Water Company, California Water Service Company, and Southern California Water Company. All three regulated customers have agreed to sign an Imported Water Purchase Agreement, which commits the customer to purchase a certain amount of water from the District and also determines the commodity rates for that water.

Although the PUC has no jurisdiction over the District's rates and charges established by Board Resolution, it can approve or reject requests by the regulated companies to pass on the rates and charges to the end consumer, including purchase agreements. As a condition to signing the Purchase Agreements, several of these companies have requested that the District add language recognizing that the Agreements are subject to PUC approval.

After consulting with legal counsel, staff recommends a two-part solution: (1) amend the Board Resolution that establishes the District's new water rates effective January 1, 2003; and (2) offer the District's PUC-regulated customers a separate Purchase Agreement. The proposed changes to the rate resolution (Exhibit A) recognize that Purchase Agreements with the District's regulated customers must be approved by the PUC and that pending such approval, the customers pay rates pursuant to the resolution. Furthermore, if the PUC does not approve the Purchase Agreement, the customer must pay the Tier 2 rate for any firm purchases. Other minor changes are included in the amendment as well.

The Purchase Agreement offered to the five private water companies (Exhibit B) is the same as that approved by the Board in July 2002 with the addition of language to satisfy both the District's and the customers' concerns regarding PUC approval. The new language recognizes that the Agreement is subject to PUC approval, that the PUC has no jurisdiction over the District's rates and charges, and that without a Purchase Agreement, the customer must pay the Tier 2 rate for all firm imported purchases.

Capacity

Another recommended amendment to the District's imported water rate resolution effective January 1, 2003 involves the Capacity Reservation Charge (CRC). Staff has previously reported that Metropolitan plans to return any peaking penalties incurred by member agencies (for exceeding reserved flow capacity) during the first three years that this new charge is in effect. To prohibit member agencies from "gaming" the charge by reserving zero capacity during this

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grace period, Metropolitan set a minimum reservation for each member at 75% of their average maximum-day flow for the five years ending September 30, 2001.

In setting the CRC for the District's customers, the District's goal is to reserve a lower number with Metropolitan than the aggregate of individual customer reservations. This "spread" allows the District to not only offer a discount on the CRC to its customers, but also designate funds to an account to offset future peaking by the District when the grace period is over. The CRC adopted by the Board in April 2002 is \$5,500 for every cubic foot per second (cfs) of reserved capacity, a \$600 per cfs discount from the \$6,100 that the District is charged by Metropolitan. Since the District will effectively not incur any peaking penalties during the grace period, staff recommends that the District reserve the minimum allowed by Metropolitan. This will allow staff to set aside an amount roughly equal to what had been planned for the CRC fund, and pass the rest of this larger spread to the customers in the form of a larger discount on the CRC. Staff recommends amending the imported water rate resolution effective January 1, 2003 to reflect a CRC of \$4,500 per cfs reserved.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on October 21, 2002 and was recommended for approval at the October 28, 2002 Board meeting.

RECOMMENDED MOTION: That the Board:

(1) Approves, adopts, and authorizes the President to sign Resolution NO. 10-02-769 "A RESOLUTION OF THE BOARD OF DIRECTORS OF WEST BASIN MUNICIPAL WATER DISTRICT ADOPTING REVISED WATER RATES AND AMENDING RESOLUTION NO. 4-02-760"; and

(2) Authorize the General Manager to execute Imported Water Purchase Agreements, similar to Exhibit B, with District customers regulated by the California Public Utilities Commission.

LIST OF EXHIBITS:

Exhibit "A" - Resolution No. 10-02-769 Amending Resolution 4-02-760

Exhibit "B" - Imported Water Purchase Agreement with Recommended Changes for PUC-regulated Customers