



*THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA*

Rate Structure Administrative Procedures Handbook

FY 2016/17

Table of Contents

1	OVERVIEW.....	1
2	RATE STRUCTURE AT-A-GLANCE.....	2
2.1	CURRENT RATES	2
2.2	2016 RATE CYCLE & BILLING CYCLE MILESTONES	3
2.3	BILLING MEASUREMENT BASIS	4
2.4	WATER SERVICES AND PROGRAMS AND RATE COMPONENTS	4
2.4.1	<i>Services and Rate Components</i>	4
2.4.2	<i>Programs and Rate Components</i>	4
3	PURCHASE ORDER.....	6
3.1	BACKGROUND	6
3.2	ADMINISTRATION	6
3.2.1	<i>Purchase Order Commitment</i>	6
3.2.2	<i>Tier 2 Supply Rate</i>	8
4	TIER 1 AND TIER 2 SUPPLY RATES	10
4.1	PURPOSE.....	10
4.2	ADMINISTRATION	10
4.3	TIER 2 SUPPLY RATE BILLING METHOD	10
4.4	CERTIFICATION EFFECTS	10
5	CAPACITY CHARGE.....	11
5.1	PURPOSE.....	11
5.2	ADMINISTRATION	11
5.3	ADJUSTMENT FOR EXCLUDED SALES	12
5.4	ADJUSTMENT FOR CONJUNCTIVE USE PROGRAM	12
5.5	ADJUSTMENT FOR H-CONSTANT METERS	12
5.6	BILLING.....	12
6	READINESS-TO-SERVE CHARGE	13
6.1	PURPOSE.....	13
6.2	ADMINISTRATION	13
6.3	APPLICATION OF STANDBY CHARGE REVENUES	13
6.4	RTS CHARGE ANNUAL CALCULATION AND APPLICATION TIMELINE.....	14
6.5	RTS CHARGE INVOICE SCHEDULE	14
6.6	ESTIMATED NET RTS CHARGE.....	15
7	STANDBY CHARGE.....	16
7.1	PURPOSE.....	16
7.2	STANDBY CHARGE PER PARCEL.....	16
7.3	COLLECTIONS	17
7.4	EXEMPTIONS	17
7.5	ESTIMATION OF NET STANDBY CHARGE REVENUES	17
7.6	ESTIMATE OF REVENUE ADJUSTMENTS	17
7.7	ESTIMATE OF ADMINISTRATIVE CHARGES	17
7.8	RECONCILIATION OF ESTIMATED AND ACTUAL NET REVENUES	17
7.9	INVOICE ADJUSTMENTS	17
8	LOCAL RESOURCE PROGRAMS.....	19
8.1	FULL SERVICE TREATED RATE / TREATED NON-INTERRUPTIBLE WATER RATE	19

9	WHEELING.....	20
9.1	CAPACITY CHARGE	20
9.2	READINESS-TO-SERVE CHARGE	20

APPENDIX A – STANDBY CHARGE DETAILED PROCEDURES

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.

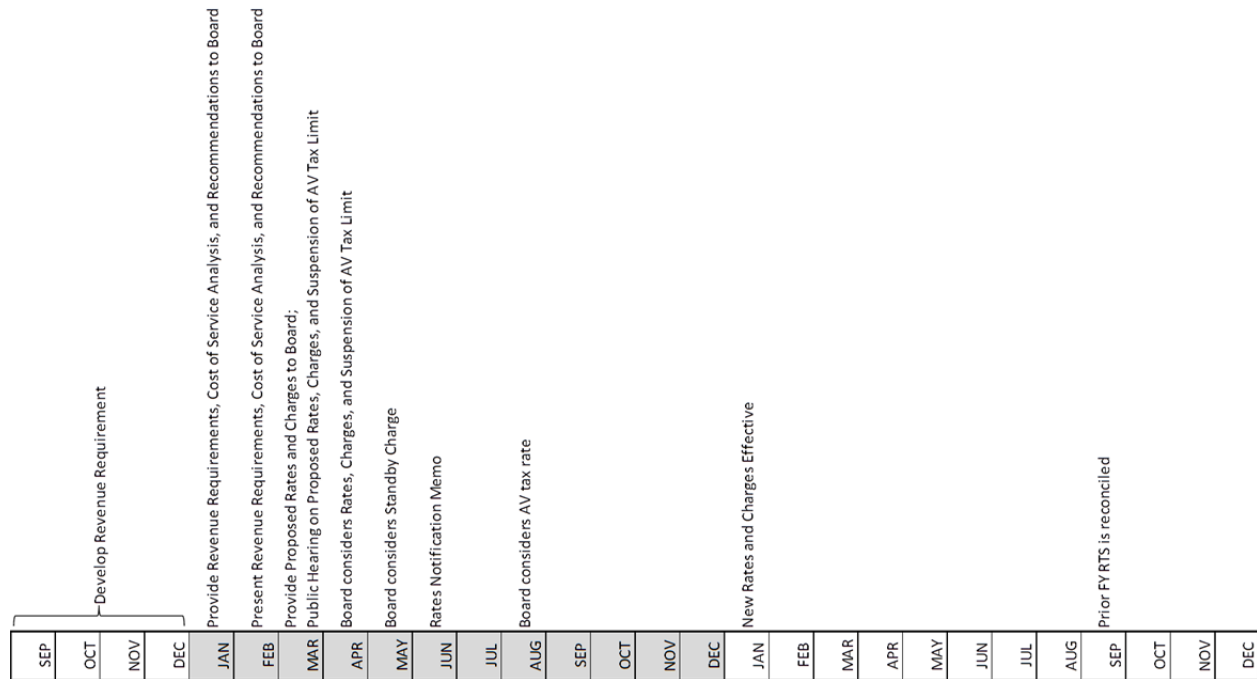
2 Rate Structure At-A-Glance

2.1 Current Rates

Table 1

Effective January 1st	2016	2017	2018
Tier 1 Supply Rate (\$/AF)	\$156	\$201	\$209
Tier 2 Supply Rate (\$/AF)	\$290	\$295	\$295
System Access Rate (\$/AF)	\$259	\$289	\$299
Water Stewardship Rate (\$/AF)	\$41	\$52	\$55
System Power Rate (\$/AF)	\$138	\$124	\$132
Full Service Untreated Volumetric Cost (\$/AF)			
Tier 1	\$594	\$666	\$695
Tier 2	\$728	\$760	\$781
Treatment Surcharge (\$/AF)	\$348	\$313	\$320
Full Service Treated Volumetric Cost (\$/AF)			
Tier 1	\$942	\$979	\$1,015
Tier 2	\$1,076	\$1,073	\$1,101
Readiness-to-Serve Charge (\$M)	\$153	\$135	\$140
Capacity Charge (\$/cfs)	\$10,900	\$8,000	\$8,700

2.2 2016 Rate Cycle & Billing Cycle Milestones



On January 28, 2016, staff provided to the Board the Proposed Biennial Budget for FY 2016/17 and FY 2017/18 and Ten-Year Forecast, containing revenue requirements and cost of service analysis, and the estimated rates and charges for CY 2017 and CY 2018 necessary to meet the revenue requirements contained in the Proposed Biennial Budget. On February 5, 2016 staff posted online the Biennial Budget, Ten-Year Forecast and Capital Investment Plan (“CIP”) documents.

On February 8, February 23, and March 7, the Finance & Insurance (“F&I”) Committee held public workshops, which were open to full board participation. On March 1, 2016, after the first two workshops, staff provided to the Board the proposed revenue requirements for FYs 2016/17 and 2017/18 and proposed water rates and charges for calendar years 2017 and 2018. On March 8, 2016, after receiving input at the three public workshops, the Board held a public hearing on the proposed water rates and charges necessary to meet the revenue requirements and the proposed suspension of the ad valorem tax rate restriction in Section 124.5 of the MWD Act. On March 16, 2016, staff posted an updated CIP and the Metropolitan cost of service report, titled, Fiscal Years 2016/17 and FY 2017/18 Cost of Service for Proposed Water Rates and Charges (the “Cost of Service Report”). The F&I Committee held a fourth public workshop on March 22, 2016. On March 30, 2016, staff provided to the Board and posted online an updated Cost of Service Report with minor revisions.

The fifth public workshop was held on April 11, 2016 and the next day, the Board considered and adopted the proposed rates, charges, and suspension of the ad valorem rate restriction in Section 124.5 of the MWD Act. The next month, on May 10, 2016, the Board considered and adopted the Standby Charge. The rates and charges adopted in April and May are based on maintaining the current ad valorem tax rate, which rate is considered and adopted by the Board in August.

2.3 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	
Readiness-to-Serve ("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

2.4 Water Services and Programs and Rate Components

2.4.1 Services and Rate Components

Service	Rates & Charges That Apply					
	System Access	Water Stewardship	System Power	T1/T2	RTS	Capacity Charge
Full Service (Treated or Untreated)	Yes	Yes	Yes	Yes	Yes	Yes
Wheeling Service	Yes	Yes	No	No	Yes	Yes

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 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.

2.4.2 Programs and Rate Components

Full Service Program	Rates & Charges That Apply					
	System Access	Water Stewardship	System Power	T1/T2	RTS	Capacity Charge
Conjunctive Use Program	Yes	Yes	Yes	Yes	Yes	No
Emergency Storage Program	Yes	Yes	Yes	No	No	No

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.

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.

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. They allow member agencies to purchase a greater amount of water at the lower Tier 1 Supply Rate than would otherwise be authorized by the Administrative Code. In exchange for the higher Tier 1 Maximum, the member agency commits to purchase a specific amount of water (based on past purchase levels) over the term of the agreement. 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 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.

3.2 Administration

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 over the term of the Purchase Order.

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 2014 for their Purchase Order, their Commitment is 60% of the highest year in the period of FY 2003 through 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

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 - Mar. 2016)	Remaining PO Commitments
Anaheim	148,270	17,258	131,012
Beverly Hills	89,200	12,398	76,802
Burbank	108,910	13,336	95,574
Calleguas	788,180	103,655	684,525
Central Basin*	-	71,291	-
Compton*	-	0	-
Eastern	783,900	83,785	700,115
Foothill	73,310	8,674	64,636
Fullerton	75,320	8,549	66,771
Glendale	174,810	17,935	156,875
Inland Empire	398,350	43,392	354,958
Las Virgenes	162,390	22,050	140,340
Long Beach	263,140	43,233	219,907
Los Angeles	2,033,130	451,993	1,581,137
MWDOC	2,144,230	200,244	1,943,986
Pasadena	153,100	19,246	133,855
San Diego CWA*	-	360,187	-
San Fernando*	-	-	-
San Marino	9,610	967	8,643
Santa Ana	80,860	9,888	70,972
Santa Monica*	-	3,620	-
Three Valleys	537,920	62,556	475,364
Torrance	128,030	16,898	111,132
Upper San Gabriel	110,080	58,747	51,333
West Basin	902,780	132,036	770,744
Western MWD	705,220	66,590	638,630
TOTAL	9,870,740	1,828,528	8,477,310

*No Purchase Order

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.

Member agencies that accrue a Tier 2 obligation by virtue of exceeding their Tier 1 Maximum at the end of year five of the Purchase Order will pay their Tier 2 obligation annually. 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 (FY12/13-FY14/15)	Base Reset Year	2017 Base	Annual Average Tier 1 Maximum
Anaheim	27,154	18,056		27,154	24,439
Beverly Hills	14,867	11,279		14,867	13,380
Burbank	18,640	14,800		18,640	16,776
Calleguas	131,364	112,973		131,364	118,228
Central Basin*	119,617	40,104		119,617	71,770
Compton*	5,620	576		5,620	3,372
Eastern	130,650	90,737		130,650	117,585
Foothill	13,081	8,743		13,081	11,773
Fullerton	12,554	8,760		12,554	11,299
Glendale	29,135	18,715		29,135	26,222
Inland Empire	103,648	61,931		103,648	93,283
Las Virgenes	27,065	22,892		27,065	24,359
Long Beach	57,560	37,716		57,560	51,804
Los Angeles	372,959	395,213	2016	415,136	373,623
MWDOC	357,372	228,304		357,372	321,635
Pasadena	25,517	20,025		25,517	22,965
San Diego CWA*	655,903	339,092		655,903	393,542
San Fernando*	1,049	93		1,049	629
San Marino	1,602	1,043		1,602	1,442
Santa Ana	21,797	11,557		21,797	19,617
Santa Monica*	12,344	5,496		12,344	7,406
Three Valleys	89,653	66,168		89,653	80,688
Torrance	21,338	16,757		21,338	19,204
Upper San Gabriel	74,698	34,418		74,698	67,228
West Basin	150,464	117,893		150,464	135,418
Western MWD	117,537	76,725		117,537	105,783
TOTAL	2,593,188	1,760,062		2,635,365	2,133,470

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

4 Tier 1 and Tier 2 Supply Rates

4.1 Purpose

Due to Metropolitan's role as a supplemental supplier of imported water, Metropolitan's water sales 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 sales. Both economic growth and recessions can also lead to increases and decreases in demand. Weather also affects demands. Member agencies also rely on Metropolitan during times of operational emergencies.

The cost of service analysis and the resulting Readiness-to-Serve 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. Metropolitan's current Cost of Service Report, as well as the current budget and rates, assume no Tier 2 sales, based on the long-term average forecasts. The Tier 2 Supply Rate reflects Metropolitan's cost of procuring north of Delta water transfers. 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. Member agencies that accrue a cumulative Tier 2 obligation by virtue of exceeding their Tier 1 maximum at the end of year five of the purchase order will pay their Tier 2 obligation annually. Otherwise, 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. Otherwise, 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.

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 lowered. 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 2017 Capacity Charge					
AGENCY	Peak Day Demand (cfs) (May 1 through September 30)				Rate (\$/cfs): \$8,000
	Calendar Year				
	2013	2014	2015	3-Year Peak	Calendar Year 2017 Capacity Charge
Anaheim	31.3	34.0	33.7	34.0	\$272,000
Beverly Hills	30.8	30.6	25.5	30.8	\$246,400
Burbank	19.7	22.6	10.0	22.6	\$180,800
Calleguas	228.7	240.8	175.5	240.8	\$1,926,400
Central Basin	73.6	61.0	51.4	73.6	\$588,800
Compton	2.9	0.0	0.1	2.9	\$23,200
Eastern	262.1	239.4	177.2	262.1	\$2,096,800
Foothill	18.9	19.9	14.9	19.9	\$159,200
Fullerton	20.0	22.2	15.3	22.2	\$177,600
Glendale	44.9	43.7	33.2	44.9	\$359,200
Inland Empire	153.9	144.0	94.8	153.9	\$1,231,200
Las Virgenes	43.2	46.1	42.8	46.1	\$368,800
Long Beach	66.9	67.8	61.3	67.8	\$542,400
Los Angeles	767.1	782.5	600.9	782.5	\$6,260,000
MWDOC	379.4	443.1	293.0	443.1	\$3,544,800
Pasadena	52.5	48.5	36.9	52.5	\$420,000
San Diego CWA	967.4	1138.2	960.7	1,138.2	\$9,105,600
San Fernando	4.9	0.0		4.9	\$39,200
San Marino	6.1	7.3	4.7	7.3	\$58,400
Santa Ana	19.6	17.5	15.6	19.6	\$156,800
Santa Monica	22.7	15.2	11.7	22.7	\$181,600
Three Valleys	178.6	152.8	108.1	178.6	\$1,428,800
Torrance	34.1	33.5	28.2	34.1	\$272,800
Upper San Gabriel	16.1	40.4	79.1	79.1	\$632,800
West Basin	230.2	217.5	178.5	230.2	\$1,841,600
Western MWD	197.7	179.7	137.7	197.7	\$1,581,600
Total	3,873.3	4,048.3	3,190.8	4,212.1	\$33,696,800

Totals may not foot due to rounding

5.3 Adjustment for Excluded Sales

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 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.

5.6 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 debt service and other appropriately allocated costs, for capital expenditures for infrastructure projects needed to provide emergency service and available capacity needs during outages and hydrologic variability.

6.2 Administration

The RTS Charge is allocated among the member agencies based on a ten-fiscal-year rolling average of firm sales and wheeled water (Table 5).

Firm sales are defined as:

- Tier 1
- Tier 2
- Seasonal Storage Service - Shift
- Conjunctive Use (withdrawals)

Table 5

Fiscal Year 2016/17 READINESS-TO-SERVE CHARGE							
Member Agency	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY2004/05 - FY2013/14	RTS Share	6 months @ \$153 million per year (7/16-12/16)	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY2005/06 - FY2014/15	RTS Share	6 months @ \$135 million per year (1/17-6/17)	Total RTS Charge FY 2016/17
Anaheim	21,646	1.26%	\$ 965,812	20,890	1.22%	\$ 822,387	\$ 1,788,198
Beverly Hills	11,468	0.67%	511,693	11,386	0.66%	448,235	959,928
Burbank	12,769	0.74%	569,715	12,817	0.75%	504,598	1,074,313
Calleguas MWD	110,216	6.43%	4,917,644	109,124	6.36%	4,296,031	9,213,675
Central Basin MWD	53,106	3.10%	2,369,501	51,539	3.01%	2,029,003	4,398,504
Compton	2,222	0.13%	99,150	1,924	0.11%	75,756	174,907
Eastern MWD	98,854	5.77%	4,410,675	98,628	5.75%	3,882,806	8,293,482
Foothill MWD	9,999	0.58%	446,114	9,790	0.57%	385,395	831,509
Fullerton	9,902	0.58%	441,799	9,668	0.56%	380,620	822,419
Glendale	20,157	1.18%	899,367	19,594	1.14%	771,369	1,670,736
Inland Empire Utilities Agency	60,390	3.52%	2,694,504	60,811	3.55%	2,394,010	5,088,513
Las Virgenes MWD	22,702	1.32%	1,012,933	22,750	1.33%	895,608	1,908,541
Long Beach	33,643	1.96%	1,501,086	34,316	2.00%	1,350,941	2,852,027
Los Angeles	297,705	17.36%	13,283,020	312,096	18.20%	12,286,660	25,569,680
Municipal Water District of Orange County	220,916	12.88%	9,856,838	221,545	12.92%	8,721,831	18,578,669
Pasadena	21,506	1.25%	959,574	21,181	1.24%	833,843	1,793,417
San Diego County Water Authority	377,077	21.99%	16,824,451	367,123	21.41%	14,452,980	31,277,430
San Fernando	122	0.01%	5,457	82	0.00%	3,240	8,697
San Marino	1,000	0.06%	44,614	931	0.05%	36,644	81,258
Santa Ana	13,091	0.76%	584,077	12,605	0.74%	496,221	1,080,298
Santa Monica	10,146	0.59%	452,704	9,252	0.54%	364,251	816,955
Three Valleys MWD	66,509	3.88%	2,967,508	65,261	3.81%	2,569,222	5,536,730
Torrance	18,514	1.08%	826,068	18,130	1.06%	713,750	1,539,818
Upper San Gabriel Valley MWD	18,292	1.07%	816,140	22,143	1.29%	871,739	1,687,879
West Basin MWD	128,160	7.47%	5,718,230	125,379	7.31%	4,935,938	10,654,168
Western MWD	74,439	4.34%	3,321,325	75,617	4.41%	2,976,923	6,298,248
MWD Total	1,714,552	100.00%	\$ 76,500,000	1,714,580	100.00%	\$ 67,500,000	\$ 144,000,000

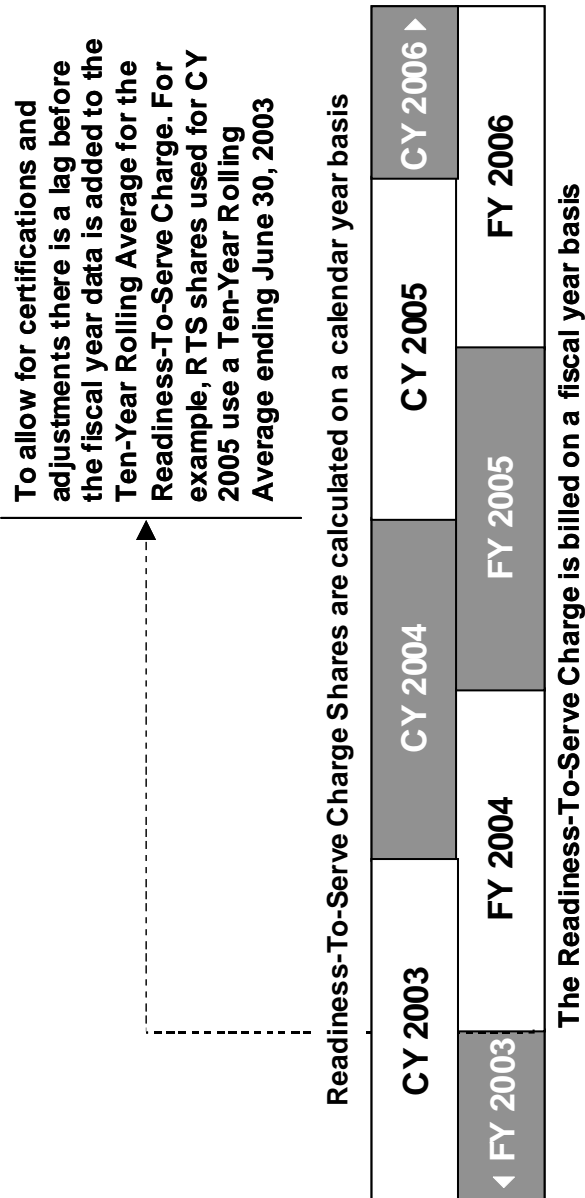
Totals may not foot due to rounding

6.3 Application of Standby Charge Revenues

Twenty-two of the 26 member agencies have elected 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.

6.4 RTS Charge Annual Calculation and Application Timeline



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, (2) carried forward to offset future RTS obligations, or (3) if crediting against future RTS obligation of a member agency to Metropolitan proves to be impracticable, may be transmitted to the member agency for application solely to finance the capital costs or maintenance and operation expenses of water projects of benefit to properties within the member agency. By April 30, member agencies will be requested to inform Metropolitan how they want the credit applied.

Billing for the RTS Charge will be based on the Resolution adopted by Metropolitan's 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.

6.6 Estimated Net RTS Charge

Table 6 indicates the estimated net RTS Charge obligation for FY 2016/17.

Table 6

ESTIMATED NET FY 2016/17 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	\$ 1,788,198	\$ 582,362	\$ 26,792	\$ 555,570	\$ 1,232,629
Beverly Hills	959,928	-	-	-	959,928
Burbank	1,074,313	412,577	17,995	394,582	679,731
Calleguas MWD	9,213,675	2,483,251	112,642	2,370,609	6,843,065
Central Basin MWD	4,398,504	3,546,211	159,292	3,386,918	1,011,586
Compton	174,907	161,372	7,384	153,989	20,918
Eastern MWD	8,293,482	2,768,876	131,244	2,637,631	5,655,850
Foothill MWD	831,509	311,842	14,032	297,810	533,699
Fullerton	822,419	371,724	16,651	355,072	467,347
Glendale	1,670,736	549,130	24,271	524,859	1,145,877
Inland Empire Utilities Agency	5,088,513	1,935,952	90,537	1,845,415	3,243,098
Las Virgenes MWD	1,908,541	444,082	20,603	423,478	1,485,062
Long Beach	2,852,027	1,118,332	49,456	1,068,876	1,783,151
Los Angeles	25,569,680	-	-	-	25,569,680
Municipal Water District of Orange County	18,578,669	7,378,409	332,024	7,046,385	11,532,285
Pasadena	1,793,417	456,901	20,276	436,625	1,356,792
San Diego County Water Authority	31,277,430	12,710,571	565,135	12,145,436	19,131,994
San Fernando	8,697	40,258	1,873	38,385	(29,688)
San Marino	81,258	40,935	1,893	39,042	42,215
Santa Ana	1,080,298	427,105	19,868	407,238	673,061
Santa Monica	816,955	-	-	-	816,955
Three Valleys MWD	5,536,730	1,856,103	82,051	1,774,052	3,762,678
Torrance	1,539,818	494,820	21,871	472,949	1,066,869
Upper San Gabriel Valley MWD	1,687,879	1,964,492	89,463	1,875,029	(187,150)
West Basin MWD	10,654,168	-	-	-	10,654,168
Western MWD	6,298,248	3,569,189	162,626	3,406,563	2,891,686
MWD Total	\$ 144,000,000	\$ 43,624,493	\$ 1,967,980	\$ 41,656,514	\$ 102,343,486
Data as of 2/2016					

7 Standby Charge

7.1 Purpose

Metropolitan's Standby Charge is authorized by the State Legislature and has been levied by Metropolitan since FY 1992/93. Metropolitan will continue to levy the Standby Charge only within the service areas of the member agencies that request that the Standby Charge be utilized to help fund a member agency's RTS obligation.

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, reflecting the current rates, which have remained the same since FY 1993/94.

7.2 Standby Charge Per Parcel

The Board approves the continuation of the Standby Charge for each member agency annually. The Standby Charge has been continued since FY 1996/97, which is the last Standby Charge adopted by the Board, and which continued the FY 1993/94 rate. The rates vary by member public agency but will not exceed the amount of Metropolitan's FY 1996/97 Standby Charge for the member public agency. The Standby Charge rates, per parcel or per acre, applicable to land within each electing member public agency for FY 2016/17 are shown in Table 7.

Table 7

Standby Charge FY2016/17			
Member Agencies	Total Parcel Charge	Number of Parcels or Acres	Gross Revenues ⁽¹⁾
Anaheim	\$ 8.55	68,113	\$ 582,362
Beverly Hills	-	-	-
Burbank	14.20	29,055	412,577
Calleguas MWD	9.58	259,212	2,483,251
Central Basin MWD	10.44	339,675	3,546,211
Compton	8.92	18,091	161,372
Eastern MWD	6.94	398,973	2,768,876
Foothill MWD	10.28	30,335	311,842
Fullerton	10.71	34,708	371,724
Glendale	12.23	44,900	549,130
Inland Empire Utilities Agency	7.59	255,066	1,935,952
Las Virgenes MWD	8.03	55,303	444,082
Long Beach	12.16	91,968	1,118,332
Los Angeles	-	-	-
MWD of Orange ⁽²⁾	10.09	718,283	7,378,409
Pasadena	11.73	38,952	456,901
San Diego CWA	11.51	1,104,307	12,710,571
San Fernando	7.87	5,115	40,258
San Marino	8.24	4,968	40,935
Santa Ana	7.88	54,201	427,105
Santa Monica	-	-	-
Three Valleys MWD	12.21	152,015	1,856,103
Torrance	12.23	40,460	494,820
Upper San Gabriel Valley MWD	9.27	211,919	1,964,492
West Basin MWD	-	-	-
Western MWD of Riverside Co.	9.23	386,694	3,569,189
MWD Total		4,342,313	\$43,624,493
(1) Estimates per FY2015/16 applied amounts			
(2) Adjusted for inclusion of Coastal MWD			
Note: Totals may not foot due to rounding			

7.3 Collections

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.

7.4 Exemptions

The process for considering and approving exemptions of parcels from the Standby Charge is specified in the Resolution adopting the Standby Charge each fiscal year. Upon request from an owner of a parcel or acre, Metropolitan also provides that owner with the procedures for the exemption application. Member agencies will be annually notified of exemptions that result in Standby Charge revenue refunds and/or charges being removed from tax rolls. 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.

7.5 Estimation of Net Standby Charge Revenues

The projection 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 2015/16.

Metropolitan will include estimated net Standby Charge revenues that would be available as a credit against a member agency's RTS obligation for the following fiscal year. This estimate was initially included in the estimate of rates and charges that was provided to the Board in January as part of the General Manager/Chief Executive Officer recommendations on rates and charges.

7.6 Estimate of Revenue Adjustments

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.

Estimates of Standby Charge revenues that will not be collected by Metropolitan during the current fiscal year are subtracted from expected gross Standby Charge revenues. Revenue adjustments for FY 2016/17 were estimated to be 4 percent of each member agency's gross Standby Charge revenues based on past collections.

7.7 Estimate of 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.

7.8 Reconciliation of Estimated and Actual Net Revenues

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.

7.9 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. 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.

A detailed procedures manual for the administration of the Standby Charge is included as Appendix A.

8 Local Resource Programs

Metropolitan provides financial incentives through its Local Resources Program for the development and use of recycled water and recovered water. The incentive is based on the difference between Metropolitan's "full service treated water rate" and the projects per unit (\$/AF) cost. For new projects, member agencies can choose from three alternative 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, there are now effectively two "full service treated water rates" for each member agency that participates in the LRP Programs. Each 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 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 effective rate annually.

Table 8
Local Resource Program 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

9 Wheeling

Wheeling service 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.

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. The rates for wheeling service will include 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.

9.1 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.

9.2 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	June Skillman	Jskillman@mwdh2o.com	213-217-6216
		Budget & Financial Planning	Stathis Kostopoulos	skostopoulos@mwdh2o.com	213-217-6955
Billing (Invoices)	Chief Financial Officer	Controller	Hal Soper	HSoperIII@mwdh2o.com	213-217-7545
		Controller	Thelma Bloes	tbloes@mwdh2o.com	213-217-7578
Special Program Certifications					
Cyclic Storage/Conjunctive Use Program	Water System Operations	Operations Planning and Programs Unit	Keith Nobriga	knobriga@mwdh2o.com	213-217-6540
Local Resource Program	Water Resource Management	Resource Implementation	James Bodnar	jbodnar@mwdh2o.com	213-217-6099
Conservation Credit Program	Water Resource Management	Resource Implementation	Bill McDonnell	bmcdonnell@mwdh2o.com	213-217-7693



*THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA*

Appendix A: Standby Charge Detailed Procedures

Table of Contents

1	INTRODUCTION	1
2	BUSINESS PROCESS - LEVYING ANNUAL STANDBY CHARGE	3
2.1	ORDERING COUNTY INFORMATION	3
2.2	DATA UPLOADS INTO MUNIMAGIC	4
2.2.1	<i>Preliminary Secured Property Tax Rolls</i>	4
2.2.2	<i>Final Secured Property Tax Rolls</i>	4
2.2.3	<i>Parcel Change Database</i>	4
2.2.4	<i>CD DATA</i>	4
3	METHODS TO PERFORM PARCEL DATA RESEARCH	5
3.1	COUNTY WEBSITE	5
3.2	CALL ASSESSOR'S OFFICE	5
3.3	MAP RESEARCH	5
3.4	VISIT COUNTY ASSESSOR'S OFFICE	5
3.5	LOS ANGELES COUNTY PUBLIC WORKS	5
4	COUNTY REQUIRED DOCUMENTATION	6
4.1	SAN DIEGO COUNTY	6
4.2	RIVERSIDE COUNTY	6
4.3	SAN BERNARDINO COUNTY	6
4.4	LOS ANGELES COUNTY	6
5	SUBMITTING THE STANDBY CHARGE TO THE COUNTIES	7
5.1	STATE BOARD OF EQUALIZATION (SBE) PARCELS	8
5.2	PARCEL REJECTS	8
6	ESTIMATED ANNUAL LEVY TIMELINE	9
7	TAXPAYER INQUIRIES	10
8	EXEMPTION REVIEW PROCESS	10

1 Introduction

The Metropolitan Water District of Southern California ("Metropolitan") is a public agency with a primary purpose to provide an imported water supply for domestic and municipal uses at wholesale rates to its member agencies within the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura.

As a means to recover a portion of the debt service on bonds issued to finance capital facilities needed to meet existing demands on Metropolitan's water system, Metropolitan levies a Readiness-To-Serve ("RTS") Charge on each of its member agencies.

On behalf of certain member agencies, Metropolitan levies an annual Standby Charge on parcels of land within certain member agencies as a method of collecting part or all of a member agency's RTS Charge obligation. The Standby Charge levied by Metropolitan is authorized under the Metropolitan Water District Act and the California Government Code.

Metropolitan's Standby Charge has been levied annually since FY 1992/93. The Standby Charge recognizes that there are economic benefits to lands that have access to a water supply, whether or not such lands are using it. Revenues generated from the Standby Charge are utilized solely for capital payments and debt service on capital facilities identified annually in an Engineer's Report and approved by Metropolitan's Board of Directors. The Standby Charge is only levied on: (1) parcels which a Water Standby Charge was imposed in FY 1996/97 and annually thereafter ("pre-1997 Standby Charge") and 2) parcels annexed to Metropolitan and to an electing member agency after January 1997 ("annexation Standby Charge").

Metropolitan only levies the Standby Charge within the service areas of the member agencies that request that the Standby Charge be utilized. The Standby Charge is based on a rate per acre or parcel (if less than an acre). The Standby Charge for each acre or parcel will vary from member agency to member agency, as permitted under the legislation establishing Metropolitan's Standby Charge. The Water Standby Charge rate for each member agency will continue to be the same as those imposed by Metropolitan in FY 1996/97. The Standby Charge rate by member agency is shown below:

Member Agency	Amount	Member Agency	Amount	Member Agency	Amount
Anaheim	\$8.55	Fullerton	\$10.71	San Fernando	\$7.87
Burbank	\$14.20	Glendale	\$12.23	San Marino	\$8.24
Calleguas MWD	\$9.58	Inland Empire Utilities Agency	\$7.59	Santa Ana	\$7.88
Central Basin MWD	\$10.44	Las Virgenes MWD	\$8.03	Three Valleys MWD	\$12.21
Coastal MWD	\$11.60	Long Beach	\$12.16	Torrance	\$12.23
Compton	\$8.92	MWD of Orange ¹	\$10.09	Upper San Gabriel Valley MWD	\$9.27
Eastern MWD	\$6.94	Pasadena	\$11.73	Western MWD of Riverside Co	\$9.23
Foothill MWD	\$10.28	San Diego CWA	\$11.51		

It is Metropolitan's intent that the following lands be exempt from the pre-1997 Water Standby Charge: (1) lands owned by the Government of the United States, the State of California, or by any political subdivisions thereof or

¹ Excludes Coastal

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 Water 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 Water 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 shall act upon such recommendations and its decision as to such appeals shall be final.

2 Business Process - Levying Annual Standby Charge

2.1 Ordering County Information

Since thousands of parcels reconfigure and/or renumber each year, it is necessary to order preliminary and/or final secured Property Tax Roll information for each of the six respective counties that Metropolitan levies the Standby Charge. In addition to the secured Property Tax Roll information, there are other forms of media available that are essential to effectively update the parcels that the respective Assessor Offices recognize as being valid each year. Summarized in the table below is the electronic media and timeline for ordering this information:

County	Preliminary Secured Roll	Parcel Change Data	Acreage Information	Final Secured Roll
Los Angeles	Not Ordered	Order from Assessor in May. Usually received in June	Order from Department of Public Works – Metropolitan is required to sign agreement in order to obtain acreage information	Order from Assessor in June. Usually received in Mid-Late July
Orange	Not Ordered	Order from Assessor in May. Usually received in June	Not available on the Secured Roll. Data on “new parcels” obtained from third party source.	Order from Assessor in June. Usually received in Mid-Late July
Riverside	Order from Assessor in February; receive in March	Order from Assessor in May. Usually received in June	Not necessary. Acreage information is contained on the Secured Property Tax Roll for parcels greater than one acre.	Order from Assessor in June. Usually received in Mid-Late July
San Bernardino	Order from Assessor in March; receive in April	Order from Assessor in May. Usually received in June	Not necessary. Acreage information is contained on the Secured Property Tax Roll for parcels greater than one acre.	Order from Assessor in June. Usually received in Mid-Late July
San Diego	Order from Assessor in March; receive in April	Order from Assessor in May. Usually received in June	Not necessary. Acreage information is contained on the Secured Property Tax Roll for parcels 1/2 acre or greater.	Order from Assessor in June. Usually received in Mid-Late July
Ventura	Not Ordered	Not Available	Acreage information is available from other media ordered from the County Assessor.	Order information from Assessor. However, this is a listing of all the active parcels in Fund Number 8750, which the county assigned to Metropolitan.

2.2 Data Uploads into MuniMagic

When County Media information is received from each of the respective counties, the data is formatted and uploaded into MuniMagic, Willdan Financial Services (Willdan) proprietary district administration software, where the existing parcel information will be compared to each of the respective County Secured Rolls. Willdan is Metropolitan's Water Standby Charge Program Administrator.

Based on the comparison, a list of required parcel changes for accurate submission of the roll to each respective county will be compiled. In order to track the parcel changes and update the parcel database, varying combinations of the following methods are used:

2.2.1 Preliminary Secured Property Tax Rolls

Around March of each year, the Preliminary Secured Rolls are ordered from Riverside, San Bernardino and San Diego Counties since the information is available prior to May/June of each year. These electronic Parcel Databases contain updated, but not final, parcel status information for the upcoming fiscal year. The parcel data is uploaded into the MuniMagic server and through a series of stored procedures, each of the most recently expired parcels is identified by including an "X" in front of the Assessor Parcel Number ("X Parcels") stored in MuniMagic. Lists of X Parcels are compiled and used in performing the necessary research to identify the new parcels created as a result of parcel renumbering or reconfiguration. It is not effective to order the Preliminary Secured Roll for Los Angeles County since the data is not made available until late June/early July, which is just prior to the release of the Final Secured Property Tax Roll for this county. Due to the timing of the release and expense involved, a Preliminary Secured Roll is not ordered from Ventura County.

2.2.2 Final Secured Property Tax Rolls

Around May/June of each year, the Final Secured Rolls are ordered from Los Angeles, Orange, Riverside, San Bernardino and San Diego Counties. These electronic Parcel Databases contain updated and final parcel status information for the upcoming fiscal year. The parcel data is uploaded into the MuniMagic server and through a series of stored procedures, each of the most recently expired parcels is identified by including an "X" in front of the Assessor Parcel Number ("X Parcels") stored in MuniMagic. Lists of X Parcels are compiled and used in performing the necessary research to identify the new parcels created as a result of parcel renumbering or reconfiguration. Due to the expense involved, only a Specialized Parcel Database exclusively for the Metropolitan Water District is ordered from the Ventura County Assessor's Office in place of the Final Secured Roll.

2.2.3 Parcel Change Database

For Orange, Los Angeles, Riverside, San Bernardino and San Diego Counties, an electronic Parcel Change database can be ordered from the respective County Assessor's Office. The database contains an electronic method for mapping the expired parcels to the newly created parcels for the majority of the parcel changes for the upcoming fiscal year. This information is electronically uploaded into the MuniMagic server and through a series of stored procedures a list of expired parcels is compiled, identifiable with a "C" in front of the Assessor Parcel Number, along with their corresponding new parcels. Utilizing this list of parcel changes, the appropriate Zone and Purveyor information can be transferred from the expired parcels to the new parcels during the apportionment process. A Parcel Change database is not available from the Ventura County Assessor at this time.

2.2.4 CD DATA

Since data ordered directly from each of the counties may not always be complete, Willdan utilizes an information package provided by CD Data in addition to the products purchased directly from the respective counties. The CD Data parcel information is updated and delivered to Willdan on a quarterly basis. This electronic parcel information is uploaded into the MuniMagic server along with the County Secured Rolls and can be electronically compared to the existing parcel information and can be used to update and/or enhance the existing parcel data.

3 Methods to Perform Parcel Data Research

Once the parcel changes and apportionments have been completed, where applicable, information from the County Secured Rolls and other media sources is used to update the necessary ownership and acreage information and taxable status. However, there are still thousands of newly created parcels that require additional research to determine their acreage, ownership and/or whether or not the parcels are assessable due to their physical characteristics. After compiling the lists of parcels that require additional research, a variety of methods can be employed to acquire the information needed to update the parcel information and submit the correct levy amounts where applicable:

3.1 County Website

Sometimes the County Assessor's Office has a website where parcel information and/or maps are available and can be purchased on-line and printed directly from the website or e-mailed to the requesting party. This is most common with San Diego County where the new parcel maps for the upcoming fiscal year are only available on-line through the County Assessor's Office.

3.2 Call Assessor's Office

In situations where the necessary parcel information is not available on the standard County Media and maps are not available, calling the County Assessor's Office directly and requesting the information is required. This method is very limited since representatives from each of the County Assessor's Offices are only able to provide information on a maximum of three parcels per phone call. Be prepared to repeatedly call the county if this method is utilized.

3.3 Map Research

When new parcels can be identified but the acreage is not provided by the county Secured Rolls, it becomes necessary to view the Assessor Parcel Maps. In Orange County, these maps can be purchased and printed from the Parcelquest website which is powered by CD Data. For Riverside and San Bernardino Counties, the maps can be purchased from the counties through e-mailed requests. As previously noted, maps for San Diego County can be purchased through the County Assessor's website. For Los Angeles County, maps can be viewed and printed if necessary on the County Assessor's website.

3.4 Visit County Assessor's Office

When a list is comprised of thousands of parcels that require acreage information it is best to visit the Assessor's Office directly. Many of the Assessor's Offices have Map Books available to the public. It requires much preparation, but this is the fastest way to update the acreage information for thousands of parcels.

3.5 Los Angeles County Public Works

Since acreage information is not available on the Los Angeles County Secured Roll it is possible to purchase the necessary acreage information from the Public Works Department at the county. In order to purchase the information, Metropolitan must enter into an agreement to use the information for purposes associated with calculating the Standby Charge only and not making it available to any other users.

4 County Required Documentation

Each of the six counties requires that a certified copy of the Resolution Fixing and Adopting the RTS Charge be submitted along with the electronic Levy Submittal. In addition to this Resolution, four of the counties require the following additional information:

4.1 San Diego County

- Fixed Charge Special Assessment (FCSA) Fund Number Requirement Questionnaire - June
- Certification of Fixed Charge Special Assessments - With original submittal around July 31
- Final Certification of Fixed Charge Special Assessments - Dated no later than August 10

4.2 Riverside County

- Proposition 218 Compliance Letter – July. Separate letters must be sent for Eastern and Western MWD.

4.3 San Bernardino County

- Fixed Charge Special Assessment (FCSA) Fund Number Requirement Questionnaire – June
- Agreement for Collection of Special Taxes, Fees, and Assessments

4.4 Los Angeles County

- Agency Information Sheets – July
- Agreement for Billing of Direct Assessments – July
- Direct Assessment Web Access User Identification Form – July
- Direct Assessment Certification – August

4.5 Ventura County

- Agency Information Sheet – July
- Agreement for Billing of Direct Assessments – July
- Direct Assessment Resolution - July

5 Submitting the Standby Charge to the Counties

After the uploads and research, the parcel changes are completed whereby the expired parcels are inactivated and the newly created parcels are activated for the upcoming fiscal year and updated with the necessary purveyor, zone, ownership, acreage and Standby Charge information. Then, for each of the recognized county fund numbers, the Standby Charge is submitted to each of the counties for all of the qualifying parcels. Specific requirements for the format of the levy data is included in the annual levy package sent out by each county to the public agencies submitting assessments/special taxes to the Auditor-Controller for inclusion on the Property Tax Roll. Levy submittal due dates are included in the Estimated Annual Levy Timeline section. The following table reflects the Standby Charge levy submittal to each county by Fund Number:

County	City Code	County Fund No.	Purveyor/Member Agency	Rate per acre/parcel less than an acre
Riverside		68-5305	Eastern MWD	\$6.94
Riverside		68-5360	Western MWD of Riverside Co.	\$9.23
San Bernardino		WY19SW01	Inland Empire Utilities Agency	\$7.59
Ventura		0822	Calleguas MWD	\$9.58
San Diego		67-2701	San Diego CWA	\$11.51
San Diego		67-2704	San Diego CWA	\$11.51
San Diego		67-2714	San Diego CWA	\$11.51
San Diego		67-2716	San Diego CWA	\$11.51
San Diego		67-2718	San Diego CWA	\$11.51
San Diego		67-2719	San Diego CWA	\$11.51
San Diego		67-2722	San Diego CWA	\$11.51
San Diego		67-2724	San Diego CWA	\$11.51
San Diego		67-2729	San Diego CWA	\$11.51
San Diego		67-2731	San Diego CWA	\$11.51
San Diego		67-2737	San Diego CWA	\$11.51
San Diego		67-2740	San Diego CWA	\$11.51
San Diego		67-2745	San Diego CWA	\$11.51
San Diego		67-2748	San Diego CWA	\$11.51
San Diego		67-2749	San Diego CWA	\$11.51
San Diego		67-2751	San Diego CWA	\$11.51
San Diego		67-2760	San Diego CWA	\$11.51
San Diego		67-2764	San Diego CWA	\$11.51
San Diego		67-2771	San Diego CWA	\$11.51
San Diego		67-2775	San Diego CWA	\$11.51
San Diego		67-2830	San Diego CWA	\$11.51
San Diego		67-2831	San Diego CWA	\$11.51
San Diego		67-2832	San Diego CWA	\$11.51
San Diego		67-2840	San Diego CWA	\$11.51
San Diego		67-2850	San Diego CWA	\$11.51
San Diego		67-2851	San Diego CWA	\$11.51
San Diego		67-2852	San Diego CWA	\$11.51
Orange	820B	C7	Anaheim	\$8.55
Orange	820E	C7	Coastal MWD	\$11.60
Orange	820C	C7	Fullerton	\$10.71
Orange	820P	C7	MWD of Orange	\$10.09
Orange	820D	C7	Santa Ana	\$7.88
Los Angeles		310.11	Burbank	\$14.20
Los Angeles		315.06	Central Basin MWD	\$10.44
Los Angeles		335.06	Foothill MWD	\$10.28

County	City Code	County Fund No.	Purveyor/Member Agency	Rate per acre/parcel less than an acre
Los Angeles		310.21	Glendale	\$12.23
Los Angeles		310.26	Long Beach	\$12.16
Los Angeles		318.08	Las Virgenes MWD	\$8.03
Los Angeles		310.34	Pasadena	\$11.73
Los Angeles		310.37	San Fernando	\$7.87
Los Angeles		310.41	San Marino	\$8.24
Los Angeles		310.51	Torrance	\$12.23
Los Angeles		330.11	Three Valleys MWD	\$12.21
Los Angeles		310.16	Compton	\$8.92
Los Angeles		337.36	Upper San Gabriel Valley MWD	\$9.27

5.1 State Board of Equalization (SBE) Parcels

Since assessments cannot be levied on utility owned parcels via the County Secured Roll, it is necessary to submit the Standby Charge on these utility parcels in a different format under separate cover. The directions for submitting assessments on these utility parcels are included in the annual levy package sent out by each county to public agencies. Formats for submittal of the Standby Charge on the utility parcels can vary from electronic information on diskette to hard copy forms provided by the county. Usually, the assessments are grouped by SBE Number (one number is assigned to each utility company by the State Board of Equalization) and tax rate area.

5.2 Parcel Rejects

After submitting the assessment rolls to each of the counties, the counties will provide a list of parcels where the Standby Charge was not able to be applied to APN's. In this situation, additional research is required to determine whether or not the APN's have since subdivided or been assigned a new APN or if the parcels are considered non-taxable by the counties. Certain valid parcels will not receive tax bills from the counties and thereby the Standby Charge cannot be assessed for the current fiscal year. Where applicable, a revised list of parcels and the Standby Charge is submitted to each county. Due dates for the final levy submittals for all parcels are included in the Estimated Annual Levy Timeline section.

6 Estimated Annual Levy Timeline

Target Date	Project Tasks
March/April	Kick-off Meeting: To discuss the District, the levy process, exemption review status and overall expectations — Board Meeting dates, staffing changes, District Specific or Changes (including annexations, changes to the assessments particularly new or increased assessments) and the anticipated levy timeline.
March/April	Willdan provides Metropolitan with a Preliminary Parcel Report
March/April	Metropolitan Board Meeting where the amount of the proposed Standby Charge, per parcel or per acre, applicable to eligible land within each electing member public agency is established for the upcoming fiscal year and that the proposed Standby Charge, if continued, be collected on the respective County Property Tax Rolls. Additionally, notice is given to the public and to each member public of The Metropolitan Water District of Southern California of the intention of Metropolitan's Board to consider and take action at its regular meeting held in May, to continue a Water Standby Charge for the upcoming fiscal year.
March/April	Willdan orders Preliminary Secured Roll for the upcoming fiscal year for Riverside, San Bernardino and San Diego Counties.
May	Metropolitan Board Meeting where Metropolitan's Board shall consider and take action, on the General Manager's recommendation, to continue a Water Standby Charge for the upcoming fiscal year under authority of Section 134.5 of the Metropolitan Water District Act on land within Metropolitan at the rates, per acre of land, or per parcel of land less than an acre specified in the upcoming fiscal year's Engineer's Report. Any such Standby Charge will be continued as a means of collecting the RTS Charge.
June	Willdan orders Parcel Change Databases and Final Secured Rolls from Los Angeles, Orange, Riverside, San Bernardino and San Diego Counties. For Ventura County, a specialized database is ordered the upcoming fiscal year. This is a listing of all the active parcels in Fund Number 8750, which the county assigned to Metropolitan.
June	Willdan provides FCSA Forms, Proposition 218 Compliance Letters and Agency Information Sheets to Metropolitan to be signed and forwarded to the respective counties.
June	Metropolitan provides Willdan with six (6) certified copies of the Resolution authorizing the levy of the upcoming fiscal year Standby Charge.
July	Willdan receives electronic parcel change databases and Secured Rolls from each of the respective counties and proceeds with updating the active parcels and corresponding information for the upcoming fiscal year.
July	First submittal of the Levy is due to Ventura County Auditor-Controller.
August	First submittal of the Levy is due to San Diego County Auditor-Controller.
August	Resolve rejects and submit final Levy to San Diego County Auditor-Controller.
August	First submittal of the Levy is due to Los Angeles, Orange, Riverside, and San Bernardino County Auditor-Controllers.
August	Resolve rejects and submit final Levy to Los Angeles, Orange, Riverside, and San Bernardino County Auditor-Controllers.
September	Verify applied amounts with each respective county and obtain list of non-taxable parcels (valid parcels that will not receive tax bills as determined by the county) rejected by the counties.
October	Willdan provides Metropolitan with a detailed Parcel Listing of all active parcels and an Applied Levy Summary by Purveyor. The summary report will be used to determine the Estimated Standby Charge Revenue for the next fiscal year Engineer's Report.
October	Update MuniMagic to coincide with county applied reports (account for non-taxable and purged parcels) and provide a summary of final applied levy amounts to Metropolitan.

7 Taxpayer Inquiries

Willdan provides our toll free telephone number to each respective Auditor-Controller for inclusion on each Tax Bill, in order to facilitate our response to taxpayer's inquiries. The toll free number referenced on the Tax Bills is a direct line to the Property Owner Service Representatives and does not route through the Willdan operator. Currently, Willdan has four Property Owner Services Representatives dedicated to responding to taxpayer inquiries. These representatives are well trained in answering questions relating to the Standby Charge and are fluent in both English and Spanish. We have provided each of the Property Owner Services Representatives with information regarding the use the funds collected via the Standby Charge, which are used as a credit towards a member agencies RTS Charge. They are also aware that the use of the RTS Charge funds are for maintenance and repair of the capital improvements needed to bring the water directly from the source to each of the member agencies, whereby the member agencies have infrastructure in place to then distribute the water directly to the property owners or in some cases an additional water provider. When property owners or other individuals require additional information, Willdan's Senior Project Analyst, and Group Manager, talk with the individuals and provide further information in regards to the Standby Charge program.

Our Property Owner Services Representatives, Analysts and Project Managers keep a log of phone calls received, provided that a caller gives them an Assessor Parcel Number (APN). Since the Standby Charge is levied by APN, our software is designed to track notes at the Agency (Metropolitan) or individual APN level. There are several phone calls received where the individual requesting information does not provide an APN or they are just inquiring about how the charge is calculated for future reference. These phone calls are not logged into the MuniMagic system. The Phone Log Report will be sent to Metropolitan on a regular basis, or upon request.

8 Exemption Review Process

Since it is Metropolitan's intent that the following lands be exempt from the pre-1997 Water 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 Water Standby Charge will be applied, Metropolitan has incorporated an Exemption Review process. The following steps outline the exemption review process:

- 1) Willdan receives request from Metropolitan or Property Owner for an Exemption Application.
- 2) Willdan sends the requesting party the Exemption Application. The Exemption Applications are updated annually to include specific information as to when the applications need to be submitted; generally the applications need to be received by December 31st of the fiscal year in which the request is being submitted.
- 3) The Exemption Application is sent back to Willdan from either Metropolitan or directly from the property owner. At this time, Willdan sets up a hard copy exemption file and assigns a file number to the request. Additionally, Willdan adds the file number, owner, APN(s) and acreage information to an existing file that contains a listing of all the exemption files that Willdan has on-site at their corporate office in Temecula.
- 4) Application is reviewed and if additional information is needed, a correspondence letter is sent to the property owner listing the additional materials needed to complete the review of their Exemption Application. First, Willdan determines whether the exemption request is for (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 Water Standby Charge will be applied.

- 5) If a property is to be exempted because of public agency ownership, the property is exempted for all future years or until such property transfers to ownership other than that of a public agency. In most cases the tax bill for the fiscal year in which the public agency acquired the property has not been paid. Therefore, either the county will inform Metropolitan or Willdan that the assessment is being removed from the tax bill and shall be prorated or completely removed. Otherwise, Willdan can request that the assessment be removed from the current year tax bill. Each county handles these situations a bit differently and maintains their own requirements. An Exemption Agreement is not completed and recorded at the county for parcels exempted due to public agency ownership.
- 6) If a property is to be exempted because the land is being permanently committed to open space and maintained in a natural state that is not now and will not in the future be supplied water, the property is exempted for all future years or until the property is no longer committed to open space. When the property is being gifted or deeded to a public agency to maintain as open space, the current property owner may request a refund of the Standby Charge paid while the property was under their ownership. Willdan will verify that the property's tax bills are current prior to sending the two-page memorandum to Metropolitan with the reason for exemption and refund calculation. Additionally, Willdan forwards a letter to Metropolitan for signature that will be forwarded to the property owner containing information regarding the refund.
- 7) If the recommendation is to deny the exemption request and Metropolitan's General Manager supports the recommendation, Willdan will e-mail a letter to Metropolitan to be signed and forwarded to the property owner regarding the decision. Pursuant to the established appeals process, a property owner may file a written appeal with the Secretary of the Board requesting that the Finance & Insurance Committee consider such appeal and make recommendations to the Board to affirm or reverse the General Manager's determinations. The Board shall act upon such recommendations and its decision as to such appeals shall be final.
- 8) If the recommendation from Willdan is to grant an exemption to the property, Willdan will e-mail a letter to Metropolitan to be signed and forwarded to the property owner along with Instructions for Filing a Water Standby Agreement with Metropolitan, Instructions for Providing Legal Descriptions and an Exemption Agreement to be executed and notarized.
- 9) Property owner sends required documentation and signed Agreement back to Metropolitan.
- 10) Metropolitan requests from Willdan an APN listing and corresponding acreages to be exempted. The information is then forwarded to Metropolitan to be incorporated into the Agreement.
- 11) The Right of Way Department verifies the legal description for the property to be exempted.
- 12) The Agreement is reviewed by Metropolitan's General Counsel and signed by General Counsel as to form.
- 13) The Agreement is then taken to the Chief Financial Officer for a notarized signature. Metropolitan then notifies Willdan that the Agreement has been fully executed. Willdan is requested to calculate the refund due to the property owner by fiscal year, provide a two-page memorandum along with the letter that Metropolitan will sign and forward to the property owner with the refund check.
- 14) Willdan updates the parcel information in MuniMagic to reflect the parcel's exemption status.