



Demand Management Non-Functionalized Fixed Charge Alternatives Discussion

Member Agency Managers Meeting
October 11, 2019

Non-Functionalized Fixed Charge

Demand Management Cost Recovery Alternatives			
Alt	Cost Recovery Component	Approx % of DM Costs	Charge / Rate
#1	T1 Supply	25%	\$/AF
	System Access Rate	75%	\$/AF
#2	T1 Supply	25%	\$/AF
	System Access Rate	50%	\$/AF
	System Power Rate	13%	\$/AF
	Readiness-to-Serve Charge	10%	\$/M
	Capacity Charge	2%	\$/cfs
#3A	Functionalized Charge	100%	Fixed \$
#3B	Non-Functionalized Charge	100%	Fixed \$

- MWD's Demand Management Costs are primarily long-term fixed costs
- Non-Functionalized Fixed Charge provides long-term fixed revenue source

Updated Review of Regional Benefits of Demand Management

- A necessary and legislatively directed expense for the provision of water service across the region
- Demand Management investments:
 - Increase reliability of water service to the service area population and properties
 - Reduce and avoid future capital and other costs
 - Decrease the burden on various types of infrastructure
 - Free up system capacity
 - Reduce the region's reliance on importing water, freeing up scarce resources
 - Increase Metropolitan's ability to store scarce resources for emergencies
 - Ensure Metropolitan's services meet member agencies' demands

Demand Management Improves Metropolitan's Reliability

- Demand Management investments provide regional benefits to all existing and potential system users
 - By developing and conserving locally, these actions improve reliability even for water systems without a physical connection to Metropolitan
 - Reliability measured in many ways: point in time, over time, over hydrologic cycles
 - Benefits realized by all member agencies
- Member agencies rely on Metropolitan even when not using Metropolitan services
 - The benefits of managing demand on Metropolitan improves system reliability for member agencies' potential use

Non-Functionalized Fixed Charge Alternative: What Metric(s) Represents Member Agencies' Potential Reliance on Metropolitan?

- Nexus: DM improves Metropolitan's reliability, so which factors represent member agencies' potential reliance on Metropolitan
- Fixed Charge may be based on any one of the factors or a combination thereof
 - Assessed Valuation
 - Population
 - Peak capacity
 - Sales
 - Transactions
 - Others?

Summary

- Demand Management improves reliability of Metropolitan's services
- Proposed metric(s) represent the potential reliance on Metropolitan for water services
- Member agencies do not have to be taking water service now
- Handout: Examples of shares of a potential fixed charge using different metric(s)

