



Finance and Insurance Committee Meeting

Consideration of Alternative Treatment Cost Recovery Mechanism

March 22, 2016

Objectives-Goals

- Objective – Fixed Charge Concept
 - Cost of Service
 - Align charges with service commitment/investment
 - Cost recovery – revenue stability

Treatment Fixed Charge Concept (\$ millions)

FY 2016/17 Treatment Revenue Requirement		\$257 (100%)
Variable		\$24 (9%)
Fixed		\$233 (91%)
Commodity	\$135	
Demand	\$41	38% of Total
Standby	\$57	

Proposed Treatment Rate Design: Volumetric + Fixed Revenue Recovery

All Options – 62% of costs in Volume Rate
– 38% of costs in Fixed Charge

Fixed Charge Options:

1. Minimum with Peaking

2. Minimum No Peaking

3. No Minimum with Peaking

4. No Minimum No Peaking

Fixed Charge Options

1. Minimum with Peaking:

2 fixed charges:

- Standby costs based on the greater of 1998-2007 OR most recent 10-year rolling average (TYRA) of treated water purchases
- Demand costs based on most recent 3-year maximum cubic feet per second (CFS)

Fixed Charge Options

2. Minimum No Peaking:

- Standby and Demand costs based on the greater of 1998-2007 OR most recent TYRA of treated water purchases

Fixed Charge Options

3. No Minimum with Peaking – 2 Fixed Charges:

- Standby costs based on most recent TYRA of treated water purchases
- Demand costs based on most recent 3-year maximum CFS

Fixed Charge Options

4. No Minimum No Peaking – a single Fixed Charge:

- Standby and Demand costs based on most recent TYRA of treated water purchases

Summary of FY 2016/2017 Member Agency Treatment Revenue Requirement Impacts

(HYPOTHETICAL PRO FORMA - FOR EXAMPLE ONLY)

1. Minimum: TYRA with Peaking

Member Agency	Status Quo 100% Volumetric Rate	1. Minimum: TYRA with Peaking					
		Minimum Fixed: Standby Charge Based on > of 1998-2007 OR 2006-2015 TYRA	Fixed: Demand Charge 3-Year Max CFS 2013-2015	Volumetric: Estimated FY 2016-2017 Treated Water Purchases	Total Revenue Requirement	\$ Difference from Status Quo	% Difference from Status Quo
Anaheim	\$1,236,208	\$555,288	\$556,851	\$767,864	\$1,880,003	643,795	52%
Beverly Hills	3,198,735	549,946	519,181	1,986,877	3,056,005	-142,730	-4%
Burbank	1,990,241	541,824	380,660	1,236,228	2,158,712	168,471	8%
Calleguas	27,860,023	4,849,827	4,114,133	17,305,107	26,269,066	-1,590,957	-6%
Central Basin	8,750,956	2,840,706	1,238,900	5,435,611	9,515,216	764,260	9%
Compton	87	148,547	49,071	54	197,671	197,585	> 100%
Eastern	16,679,159	3,104,189	3,404,746	10,360,172	16,869,107	189,948	1%
Foothill	2,337,078	491,417	335,331	1,451,664	2,278,411	-58,666	-3%
Fullerton	2,392,937	486,740	373,547	1,486,361	2,346,647	-46,290	-2%
Glendale	4,915,618	1,060,915	755,512	3,053,310	4,869,738	-45,880	-1%
Inland Empire	0	0	0	0	0	0	0%
Las Virgenes	6,362,979	964,358	882,524	3,952,331	5,799,214	-563,765	-9%
Long Beach	13,278,470	1,871,534	1,140,928	8,247,852	11,260,314	-2,018,156	-15%
Los Angeles	19,137,588	3,718,379	3,563,772	11,887,212	19,169,363	31,776	0%
MWDOC	44,255,500	10,324,424	6,273,362	27,489,072	44,086,858	-168,642	0%
Pasadena	5,399,667	920,758	884,582	3,353,975	5,159,315	-240,353	-4%
San Diego CWA	30,467,286	10,627,895	5,826,764	18,924,595	35,379,254	4,911,968	16%
San Fernando	28,723	16,361	82,434	17,841	116,636	87,913	306%
San Marino	210,923	43,999	122,287	131,014	297,300	86,378	41%
Santa Ana	1,543,796	667,485	330,459	958,921	1,956,865	413,069	27%
Santa Monica	1,227,816	533,832	382,219	762,651	1,678,702	450,887	37%
Three Valleys	11,477,206	2,091,391	2,152,454	7,129,006	11,372,852	-104,354	-1%
Torrance	4,673,233	890,035	574,566	2,902,754	4,367,355	-305,878	-7%
Upper San Gabriel	2,615,453	590,331	354,877	1,624,575	2,569,783	-45,670	-2%
West Basin	32,556,355	6,148,126	3,875,743	20,222,209	30,246,079	-2,310,277	-7%
Western MWD	14,883,317	2,686,253	2,647,940	9,244,694	14,578,887	-304,430	-2%
TOTAL	\$257,479,354	\$56,724,561	\$40,822,844	\$159,931,949	\$257,479,354	\$0	0%

Summary of FY 2016/2017 Member Agency Treatment Revenue Requirement Impacts
(HYPOTHETICAL PRO FORMA - FOR EXAMPLE ONLY)

2. Minimum: TRYA and No Peaking

Member Agency	Status Quo 100% Volumetric Rate	2. Minimum: TRYA and No Peaking				
		Fixed Charge: Minimum > of 1998-2007 OR 2006-2015 TYRA	Volumetric: Estimated FY 2016-2017 Treated Water Purchases	Total Revenue Requirement	\$ Difference from Status Quo	% Difference from Status Quo
Anaheim	\$1,236,208	\$954,911	\$767,864	\$1,722,775	\$486,567	39%
Beverly Hills	3,198,735	945,725	1,986,877	2,932,602	-266,132	-8%
Burbank	1,990,241	931,758	1,236,228	2,167,985	177,745	9%
Calleguas	27,860,023	8,340,091	17,305,107	25,645,198	-2,214,825	-8%
Central Basin	8,750,956	4,885,071	5,435,611	10,320,681	1,569,725	18%
Compton	87	255,451	54	255,505	255,418	> 100%
Eastern	16,679,159	5,338,173	10,360,172	15,698,345	-980,813	-6%
Foothill	2,337,078	845,074	1,451,664	2,296,738	-40,340	-2%
Fullerton	2,392,937	837,031	1,486,361	2,323,392	-69,545	-3%
Glendale	4,915,618	1,824,421	3,053,310	4,877,732	-37,886	-1%
Inland Empire	0	0	0	0	0	0%
Las Virgenes	6,362,979	1,658,376	3,952,331	5,610,707	-752,272	-12%
Long Beach	13,278,470	3,218,416	8,247,852	11,466,268	-1,812,202	-14%
Los Angeles	19,137,588	6,394,377	11,887,212	18,281,589	-855,999	-4%
MWDOC	44,255,500	17,754,580	27,489,072	45,243,652	988,152	2%
Pasadena	5,399,667	1,583,398	3,353,975	4,937,373	-462,295	-9%
San Diego CWA	30,467,286	18,276,450	18,924,595	37,201,045	6,733,759	22%
San Fernando	28,723	28,135	17,841	45,976	17,253	60%
San Marino	210,923	75,664	131,014	206,678	-4,245	-2%
Santa Ana	1,543,796	1,147,853	958,921	2,106,774	562,978	36%
Santa Monica	1,227,816	918,014	762,651	1,680,665	452,849	37%
Three Valleys	11,477,206	3,596,498	7,129,006	10,725,505	-751,701	-7%
Torrance	4,673,233	1,530,565	2,902,754	4,433,319	-239,914	-5%
Upper San Gabriel	2,615,453	1,015,173	1,624,575	2,639,748	24,295	1%
West Basin	32,556,355	10,572,734	20,222,209	30,794,944	-1,761,412	-5%
Western MWD	14,883,317	4,619,464	9,244,694	13,864,158	-1,019,159	-7%
TOTAL	\$257,479,354	\$97,547,405	\$159,931,949	\$257,479,354	\$0	0%

Summary of FY 2016/2017 Member Agency Treatment Revenue Requirement Impacts
(HYPOTHETICAL PRO FORMA - FOR EXAMPLE ONLY)

3. No Minimum: TYRA and Peaking

Member Agency	Status Quo 100% Volumetric Rate	3. No Minimum: TYRA and Peaking					
		Fixed: Standby Charge 2006-2015 TYRA	Fixed: Demand Charge 3-Year Max CFS 2013-2015	Volumetric: Estimated FY 2016-2017 Treated Water Purchases	Total Revenue Requirement	\$ Difference from Status Quo	% Difference from Status Quo
Anaheim	\$1,236,208	\$613,940	\$556,851	\$767,864	\$1,938,655	\$702,448	57%
Beverly Hills	3,198,735	576,467	519,181	1,986,877	3,082,526	-116,209	-4%
Burbank	1,990,241	510,823	380,660	1,236,228	2,127,710	137,469	7%
Calleguas	27,860,023	5,808,002	4,114,133	17,305,107	27,227,242	-632,782	-2%
Central Basin	8,750,956	2,339,056	1,238,900	5,435,611	9,013,566	262,610	3%
Compton	87	97,431	49,071	54	146,555	146,469	> 100%
Eastern	16,679,159	3,712,415	3,404,746	10,360,172	17,477,333	798,174	5%
Foothill	2,337,078	502,894	335,331	1,451,664	2,289,889	-47,189	-2%
Fullerton	2,392,937	560,567	373,547	1,486,361	2,420,474	27,537	1%
Glendale	4,915,618	991,617	755,512	3,053,310	4,800,440	-115,178	-2%
Inland Empire	0	0	0	0	0	0	0%
Las Virgenes	6,362,979	1,154,886	882,524	3,952,331	5,989,741	-373,238	-6%
Long Beach	13,278,470	1,842,793	1,140,928	8,247,852	11,231,573	-2,046,896	-15%
Los Angeles	19,137,588	4,453,016	3,563,772	11,887,212	19,904,000	766,412	4%
MWDOC	44,255,500	10,378,091	6,273,362	27,489,072	44,140,525	-114,975	0%
Pasadena	5,399,667	1,072,392	884,582	3,353,975	5,310,949	-88,719	-2%
San Diego CWA	30,467,286	7,921,619	5,826,764	18,924,595	32,672,978	2,205,692	7%
San Fernando	28,723	10,433	82,434	17,841	110,708	81,986	> 100%
San Marino	210,923	47,128	122,287	131,014	300,429	89,506	42%
Santa Ana	1,543,796	674,954	330,459	958,921	1,964,334	420,538	27%
Santa Monica	1,227,816	468,459	382,219	762,651	1,613,329	385,513	31%
Three Valleys	11,477,206	2,118,038	2,152,454	7,129,006	11,399,499	-77,707	-1%
Torrance	4,673,233	917,946	574,566	2,902,754	4,395,266	-277,967	-6%
Upper San Gabriel	2,615,453	371,937	354,877	1,624,575	2,351,389	-264,064	-10%
West Basin	32,556,355	6,362,683	3,875,743	20,222,209	30,460,636	-2,095,720	-6%
Western MWD	14,883,317	3,216,974	2,647,940	9,244,694	15,109,607	226,291	2%
TOTAL	\$257,479,354	\$56,724,561	\$40,822,844	\$159,931,949	\$257,479,354	\$0	0%

Summary of FY 2016/2017 Member Agency Treatment Revenue Requirement Impacts

(HYPOTHETICAL PRO FORMA - FOR EXAMPLE ONLY)

Member Agency	Status Quo 100% Volumetric Rate	4. No Minimum: TYRA and No Peaking				
		Fixed Charge 2006 - 2015 TYRA	Volumetric: Estimated FY 2016 - 2017 Treated Purchases	Total Revenue Requirement	\$ Difference from Status Quo	% Difference from Status Quo
Anaheim	\$1,236,208	\$1,055,773	\$767,864	\$1,823,637	\$587,429	48%
Beverly Hills	3,198,735	991,332	1,986,877	2,978,210	-220,525	-7%
Burbank	1,990,241	878,445	1,236,228	2,114,673	124,432	6%
Calleguas	27,860,023	9,987,834	17,305,107	27,292,942	-567,082	-2%
Central Basin	8,750,956	4,022,400	5,435,611	9,458,010	707,054	8%
Compton	87	167,548	54	167,602	167,516	> 100%
Eastern	16,679,159	6,384,121	10,360,172	16,744,293	65,134	0%
Foothill	2,337,078	864,811	1,451,664	2,316,475	-20,603	-1%
Fullerton	2,392,937	963,989	1,486,361	2,450,350	57,412	2%
Glendale	4,915,618	1,705,251	3,053,310	4,758,562	-157,056	-3%
Inland Empire	0	0	0	0	0	0%
Las Virgenes	6,362,979	1,986,020	3,952,331	5,938,351	-424,628	-7%
Long Beach	13,278,470	3,168,992	8,247,852	11,416,844	-1,861,626	-14%
Los Angeles	19,137,588	7,657,708	11,887,212	19,544,920	407,332	2%
MWDOC	44,255,500	17,846,870	27,489,072	45,335,942	1,080,442	2%
Pasadena	5,399,667	1,844,158	3,353,975	5,198,133	-201,535	-4%
San Diego CWA	30,467,286	13,622,554	18,924,595	32,547,149	2,079,863	7%
San Fernando	28,723	17,941	17,841	35,782	7,060	25%
San Marino	210,923	81,044	131,014	212,058	1,135	1%
Santa Ana	1,543,796	1,160,697	958,921	2,119,618	575,822	37%
Santa Monica	1,227,816	805,594	762,651	1,568,245	340,429	28%
Three Valleys	11,477,206	3,642,322	7,129,006	10,771,329	-705,877	-6%
Torrance	4,673,233	1,578,562	2,902,754	4,481,316	-191,917	-4%
Upper San Gabriel	2,615,453	639,608	1,624,575	2,264,183	-351,270	-13%
West Basin	32,556,355	10,941,702	20,222,209	31,163,911	-1,392,444	-4%
Western MWD	14,883,317	5,532,127	9,244,694	14,776,821	-106,496	-1%
TOTAL	\$257,479,354	\$97,547,405	\$159,931,949	\$257,479,354	\$0	0%

FY 2016/2017 Member Agency Revenue Requirement Impacts

(HYPOTHETICAL PRO FORMA - FOR EXAMPLE ONLY)

Member Agency	Status Quo 100% Volumetric Rate	1. Minimum: TYRA and Peaking	2. Minimum: TRYA and NO Peaking	3. NO Minimum: TYRA and Peaking	4. NO Minimum: TYRA and NO Peaking
Anaheim	\$1,236,208	\$1,880,003	\$1,722,775	\$1,938,655	\$1,823,637
Beverly Hills	3,198,735	3,056,005	2,932,602	3,082,526	2,978,210
Burbank	1,990,241	2,158,712	2,167,985	2,127,710	2,114,673
Calleguas	27,860,023	26,269,066	25,645,198	27,227,242	27,292,942
Central Basin	8,750,956	9,515,216	10,320,681	9,013,566	9,458,010
Compton	87	197,671	255,505	146,555	167,602
Eastern	16,679,159	16,869,107	15,698,345	17,477,333	16,744,293
Foothill	2,337,078	2,278,411	2,296,738	2,289,889	2,316,475
Fullerton	2,392,937	2,346,647	2,323,392	2,420,474	2,450,350
Glendale	4,915,618	4,869,738	4,877,732	4,800,440	4,758,562
Inland Empire	0	0	0	0	0
Las Virgenes	6,362,979	5,799,214	5,610,707	5,989,741	5,938,351
Long Beach	13,278,470	11,260,314	11,466,268	11,231,573	11,416,844
Los Angeles	19,137,588	19,169,363	18,281,589	19,904,000	19,544,920
MWDOC	44,255,500	44,086,858	45,243,652	44,140,525	45,335,942
Pasadena	5,399,667	5,159,315	4,937,373	5,310,949	5,198,133
San Diego CWA	30,467,286	35,379,254	37,201,045	32,672,978	32,547,149
San Fernando	28,723	116,636	45,976	110,708	35,782
San Marino	210,923	297,300	206,678	300,429	212,058
Santa Ana	1,543,796	1,956,865	2,106,774	1,964,334	2,119,618
Santa Monica	1,227,816	1,678,702	1,680,665	1,613,329	1,568,245
Three Valleys	11,477,206	11,372,852	10,725,505	11,399,499	10,771,329
Torrance	4,673,233	4,367,355	4,433,319	4,395,266	4,481,316
Upper San Gabriel	2,615,453	2,569,783	2,639,748	2,351,389	2,264,183
West Basin	32,556,355	30,246,079	30,794,944	30,460,636	31,163,911
Western MWD	14,883,317	14,578,887	13,864,158	15,109,607	14,776,821
TOTAL	\$257,479,354	\$257,479,354	\$257,479,354	\$257,479,354	\$257,479,354

FY 2016/2017 Member Agency Revenue Requirement Impacts

(HYPOTHETICAL PRO FORMA - FOR EXAMPLE ONLY)

Member Agency	Status Quo 100% Volumetric Rate	1. Minimum: TYRA and Peaking	2. Minimum: TRYA and NO Peaking	3. NO Minimum: TYRA and Peaking	4. NO Minimum: TYRA and NO Peaking
Anaheim	\$1,236,208	\$1,880,003	\$1,722,775	\$1,938,655	\$1,823,637
Beverly Hills	3,198,735	3,056,005	2,932,602	3,082,526	2,978,210
Burbank	1,990,241	2,158,712	2,167,985	2,127,710	2,114,673
Calleguas	27,860,023	26,269,066	25,645,198	27,227,242	27,292,942
Central Basin	8,750,956	9,515,216	10,320,681	9,013,566	9,458,010
Compton	87	197,671	255,505	146,555	167,602
Eastern	16,679,159	16,869,107	15,698,345	17,477,333	16,744,293
Foothill	2,337,078	2,278,411	2,296,738	2,289,889	2,316,475
Fullerton	2,392,937	2,346,647	2,323,392	2,420,474	2,450,350
Glendale	4,915,618	4,869,738	4,877,732	4,800,440	4,758,562
Inland Empire	0	0	0	0	0
Las Virgenes	6,362,979	5,799,214	5,610,707	5,989,741	5,938,351
Long Beach	13,278,470	11,260,314	11,466,268	11,231,573	11,416,844
Los Angeles	19,137,588	19,169,363	18,281,589	19,904,000	19,544,920
MWDOC	44,255,500	44,086,858	45,243,652	44,140,525	45,335,942
Pasadena	5,399,667	5,159,315	4,937,373	5,310,949	5,198,133
San Diego CWA	30,467,286	35,379,254	37,201,045	32,672,978	32,547,149
San Fernando	28,723	116,636	45,976	110,708	35,782
San Marino	210,923	297,300	206,678	300,429	212,058
Santa Ana	1,543,796	1,956,865	2,106,774	1,964,334	2,119,618
Santa Monica	1,227,816	1,678,702	1,680,665	1,613,329	1,568,245
Three Valleys	11,477,206	11,372,852	10,725,505	11,399,499	10,771,329
Torrance	4,673,233	4,367,355	4,433,319	4,395,266	4,481,316
Upper San Gabriel	2,615,453	2,569,783	2,639,748	2,351,389	2,264,183
West Basin	32,556,355	30,246,079	30,794,944	30,460,636	31,163,911
Western MWD	14,883,317	14,578,887	13,864,158	15,109,607	14,776,821
TOTAL	\$257,479,354	\$257,479,354	\$257,479,354	\$257,479,354	\$257,479,354

Minimum Forever?

- Under Status Quo and All Approaches, service levels should be re-defined in conjunction with treatment plant capacity decisions

Summary

Options-Alternatives

- Maintain Current 100% Volumetric Treatment Cost Recovery
- 1. Minimum with Peaking
- 2. Minimum no Peaking
- 3. No Minimum with Peaking
- 4. No Minimum no Peaking