

Proposed Water Rates and Charges, Calendar Years 2017 and 2018

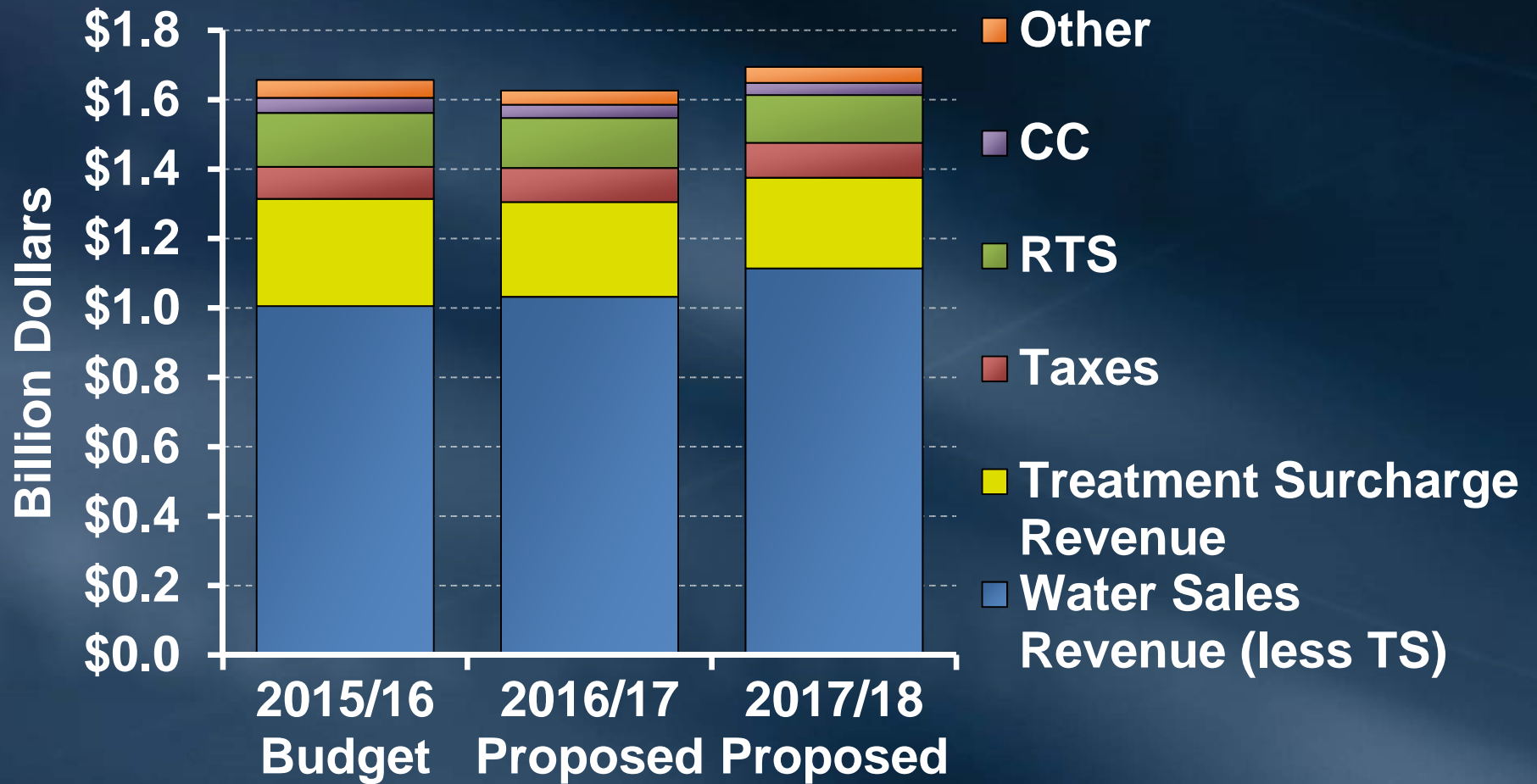
**Member Agency Manager Meeting
March 11, 2016**



Process

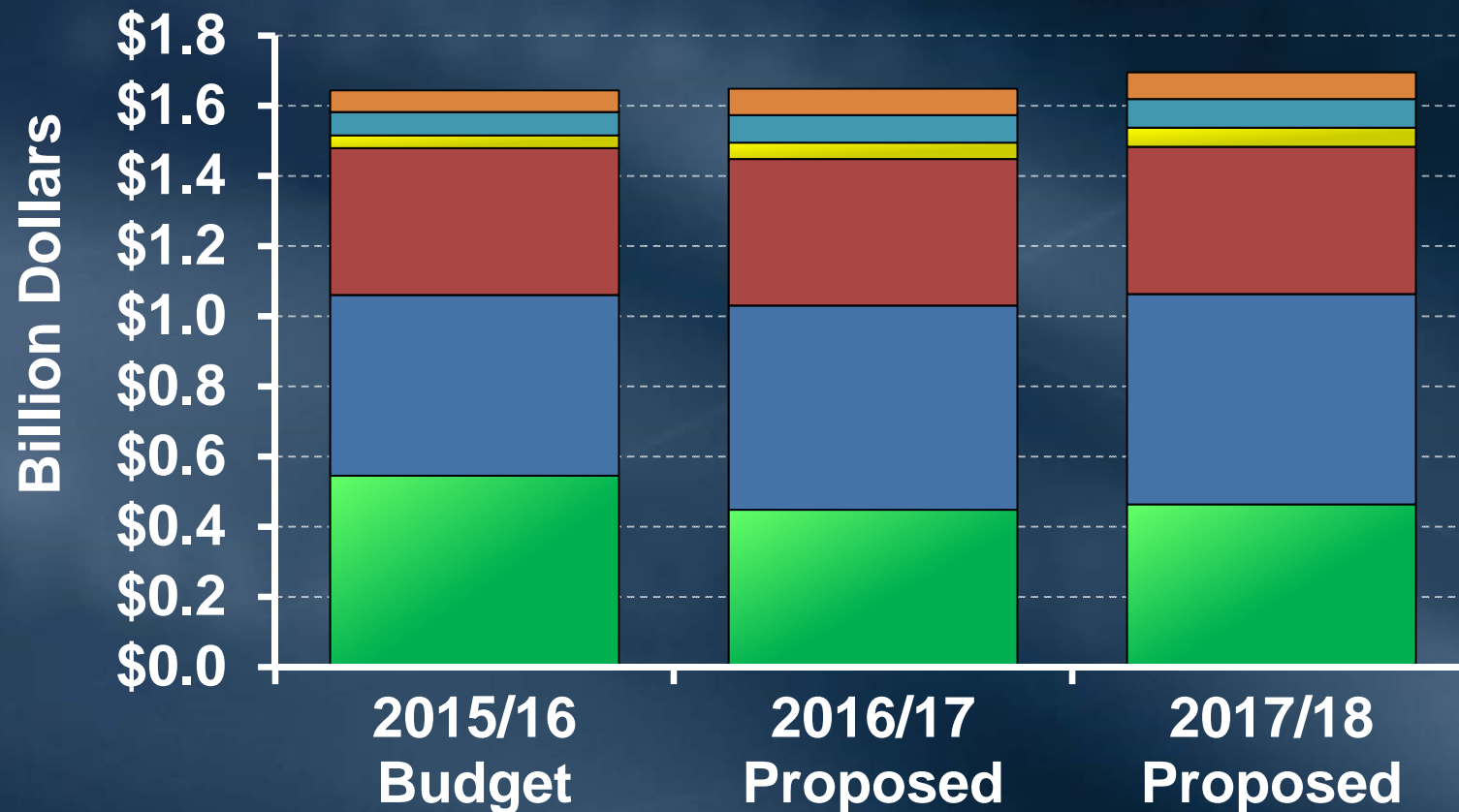
- Information Board Letter February, 2016
- Workshop #1 February 8, 2016
- Workshop #2 February 23, 2016
- Workshop #3 March 7, 2016
- Receive input at Public Hearing on March 8
- Distribute Cost of Service Report March 15, 2016
- Workshop #4 March 22, 2016
- April 11, 2016: Recommendation by F&I Committee, and Workshop #5, if needed
- April 12, 2016: Board Action

Revenue Trend



Expenditure Trend

- Demand Management
- Colorado River Power
- State Water Contract
- Supply Programs
- O&M
- Capital Financing

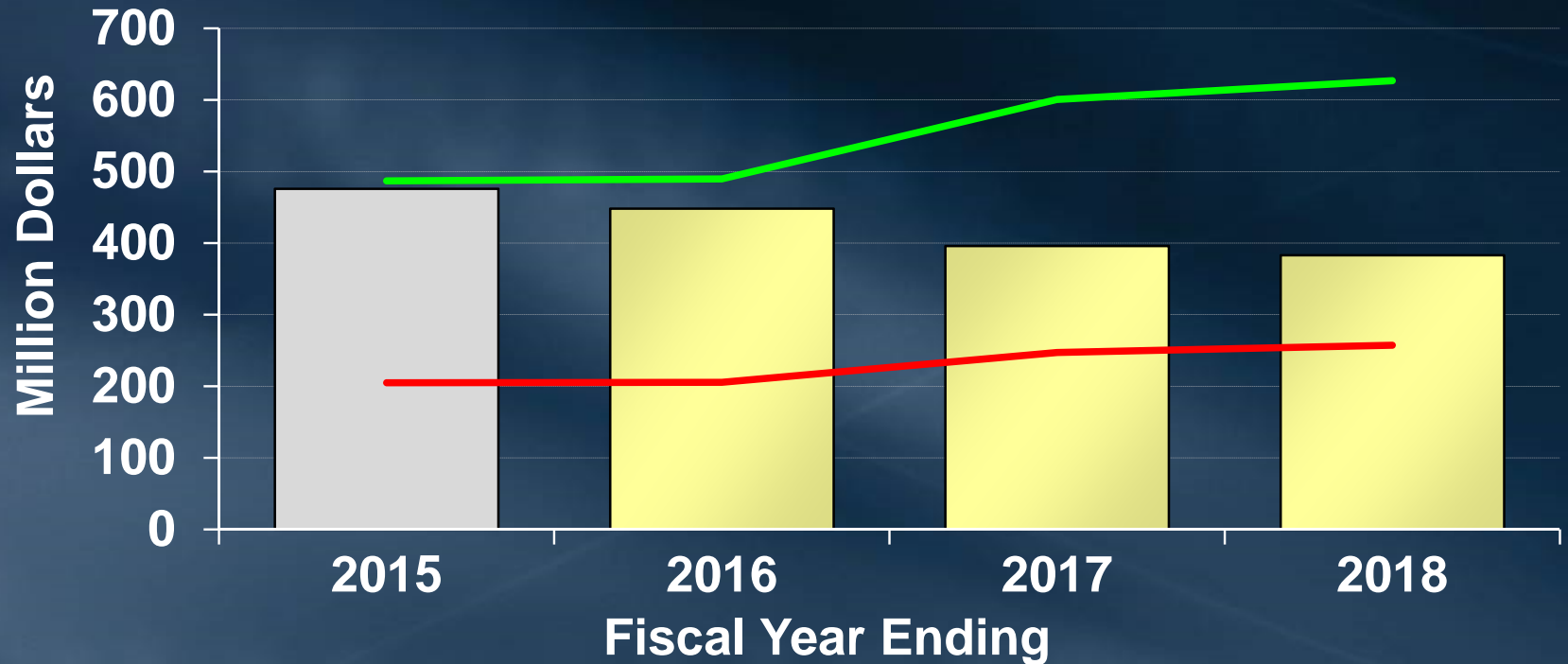


Summary of Financial Policies

- Maintain AAA/AA+/Aa1 ratings
- Achieve/Maintain coverage ratios
 - Debt service coverage = 2.0
 - Fixed charge coverage = 1.2
- PAYGO funding
 - 60 percent per year
 - Integral to maintaining coverage targets
 - Provides financial flexibility

Projected Rate Increases & Financial Metrics

■ Unrestricted Reserve — Target Reserve — Minimum Reserve



Overall Rate Inc.	1.5%	1.5%	4.0%	4.0%
Sales, MAF	1.90	1.63	1.70	1.70
Rev. Bond Cvg	2.7	1.5	1.6	1.6
Fixed Chg Cvg	2.4	1.3	1.3	1.3
PAYGO, \$M	210	99	120	120

Proposed Rate Elements

Rates and Charges Effective January 1			
	2016 Approved	2017 Proposed	2018 Proposed
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
Treatment Surcharge (\$/AF)*	\$348	\$313	\$320
Readiness-to-Serve Charge (\$M)	\$153	\$135	\$140
Capacity Charge (\$M revenues)	\$43	\$34	\$37

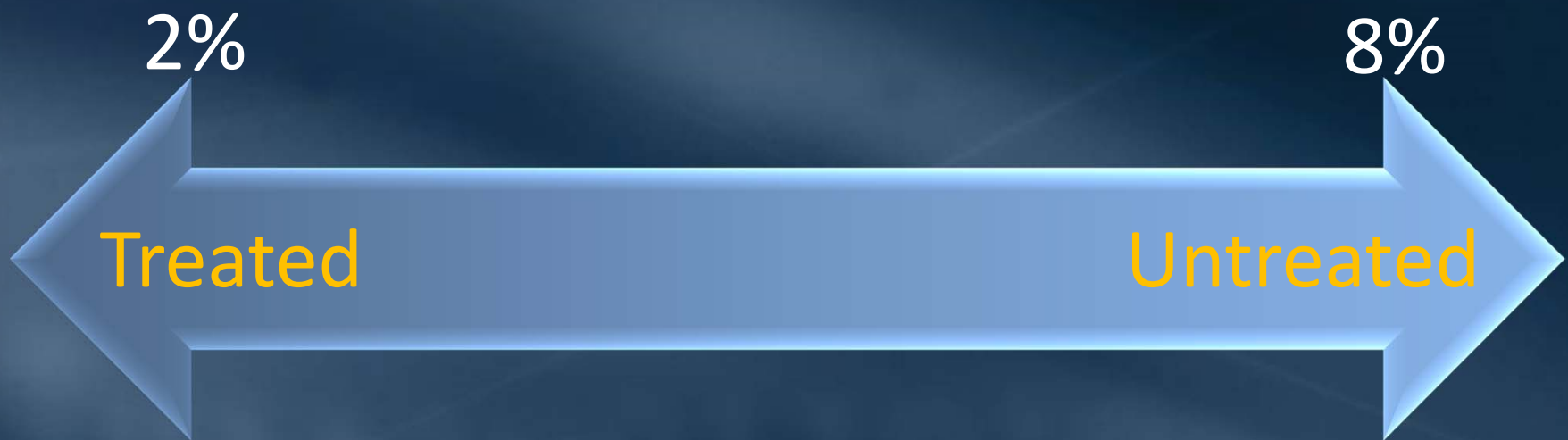
*A proposal was presented to the Board for consideration to address fixed cost recovery of Treatment costs which are currently only recovered through a volumetric rate.

Proposed Full Service Costs and Charges

Rate Type	2016 Approved	2017 Proposed	% Increase (Decrease)	2018 Proposed	% Increase (Decrease)
Full Service Untreated Volumetric Cost (\$/AF)					
Tier 1	\$594	\$666	12.1%	\$695	4.4%
Tier 2	\$728	\$760	4.4%	\$781	2.8%
Treatment Surcharge*	\$348	\$313	(10.1%)	\$320	2.2%
Full Service Treated Volumetric Cost (\$/AF)*					
Tier 1	\$942	\$979	3.9%	\$1,015	3.7%
Tier 2	\$1,076	\$1,073	(0.3%)	\$1,101	2.6%
RTS Charge (\$M)	\$153	\$135	(11.8%)	\$140	3.7%
Capacity Charge (\$M)	\$43	\$34	(21.5%)	\$37	8.8%

*A proposal was presented to the Board for consideration to address fixed cost recovery of Treatment costs which are currently only recovered through a volumetric rate.

Estimated Overall Rate Impacts By Service Type, CY 2017



Proposed Fixed Treatment Charge: Objectives

- Cost of Service
- Align charges with service commitment / investment
- Cost recovery - revenue stability

Proposed Fixed Treatment Charge

- Proposed 100% volumetric rates are \$313/AF effective January 1, 2017 and \$320/AF effective January 1, 2018
- Proposed fixed/variable option recovers sum of Treatment Demand and Standby costs through a fixed charge
 - ~38 percent of Treatment Revenue Requirements recovered through a fixed charge; FY 2016/17 = \$97.5M, FY 2017/18 = \$101.7M
 - Remaining costs, ~62 percent, recovered through a volumetric rate of approximately \$195/AF effective January 1, 2017 and \$197/AF effective January 1, 2018
- Total treatment revenue requirement recovered under either volumetric or fixed/variable option

Proposed Fixed Treatment Charge: Options

- Fixed-Minimum and Volume Method
- 10-Year Rolling Average

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

Member Agency	Status Quo Treated Water Surcharge	Option #1 (Recommended)	Option #2
		Minimum: 1998-2007 or 2006-2015 TYRA	10-Year Rolling Average (NO PEAKING AND NO MINIMUM)
Anaheim	\$1,236,208	\$1,722,775	\$2,786,746
Beverly Hills	3,198,735	2,932,602	2,616,652
Burbank	1,990,241	2,167,985	2,318,683
Calleguas	27,860,023	25,645,198	26,363,194
Central Basin	8,750,956	10,320,681	10,617,247
Compton	87	255,505	442,249
Eastern	16,679,159	15,698,345	16,851,081
Foothill	2,337,078	2,296,738	2,282,696
Fullerton	2,392,937	2,323,392	2,544,479
Glendale	4,915,618	4,877,732	4,501,063
Inland Empire	0	0	0
Las Virgenes	6,362,979	5,610,707	5,242,161
Long Beach	13,278,470	11,466,268	8,364,652
Los Angeles	19,137,588	18,281,589	20,212,754
MWDOC	44,255,500	45,243,652	47,107,360
Pasadena	5,399,667	4,937,373	4,867,711
San Diego CWA	30,467,286	37,201,045	35,957,147
San Fernando	28,723	45,976	47,357
San Marino	210,923	206,678	213,919
Santa Ana	1,543,796	2,106,774	3,063,695
Santa Monica	1,227,816	1,680,665	2,126,389
Three Valleys	11,477,206	10,725,505	9,614,021
Torrance	4,673,233	4,433,319	4,166,662
Upper San Gabriel	2,615,453	2,639,748	1,688,265
West Basin	32,556,355	30,794,944	28,880,956
Western MWD	14,883,317	13,864,158	14,602,217
Total	\$257,479,354	\$257,479,354	\$257,479,354

