Goal of Today’s Meeting

- Confirm survey results from Member Agencies
  - Which rate structure ranks highest
- Report comments from Member Agency Managers
- Determine which three rate structures are most appropriate to model
- Get your input on and discuss the next steps
Current Rate Structure

1. MET Pass-throughs
   i. Volumetric pass-throughs
   ii. Fixed Charges – Ready to Serve charge and Capacity Charge

2. MWDOC Services
   i. Fixed charge based on the number of retail meters

Process - Guiding Principles

- Legal Compliance – Proposition 26: “fee does not exceed the reasonable cost to the local government of providing the service”
- Fairness/Equity – a rate structure that aligns costs with the benefit to each agency
- Revenue stability – does not vary with water sales (fixed charge)
- Administrative Complexity - Minimize administrative complexity
- Communication – Customer Understanding
Guiding Principles Survey

Survey Results – Respondents

1. Fountain Valley, City of
2. La Palma, City of
3. Orange, City of
4. Seal Beach, City of
5. Tustin, City of
6. Westminster, City of
7. East Orange County Water District
8. El Toro Water District
9. Irvine Ranch Water District
10. Moulton Niguel Water District
11. Orange County Water District
12. Santa Margarita Water District
13. South Coast Water District
14. Trabuco Canyon Water District
## Survey Results – Scoring of Structures

<table>
<thead>
<tr>
<th>Rate Structure</th>
<th>Legal Compliance 35%</th>
<th>Fairness and Equity 35%</th>
<th>Revenue Stability 15%</th>
<th>Administrative Ease 5%</th>
<th>Communication 10%</th>
<th>Total Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of member agency meters (current rate structure)</td>
<td>3.2</td>
<td>3.2</td>
<td>3.6</td>
<td>3.8</td>
<td>3.6</td>
<td>3.3</td>
</tr>
<tr>
<td>Number of member agency meters by size</td>
<td>3.2</td>
<td>3.4</td>
<td>3.7</td>
<td>2.9</td>
<td>3.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Historical average (trailing # of years) of imported water use</td>
<td>3.0</td>
<td>2.6</td>
<td>2.6</td>
<td>2.8</td>
<td>2.6</td>
<td>2.8</td>
</tr>
<tr>
<td>Turnout meters required to serve member agency</td>
<td>2.2</td>
<td>1.6</td>
<td>3.2</td>
<td>3.2</td>
<td>2.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Population in member agency service area</td>
<td>2.6</td>
<td>2.3</td>
<td>3.2</td>
<td>3.0</td>
<td>2.8</td>
<td>2.6</td>
</tr>
<tr>
<td>Number of member agencies</td>
<td>1.5</td>
<td>1.2</td>
<td>3.4</td>
<td>3.5</td>
<td>2.3</td>
<td>1.8</td>
</tr>
</tbody>
</table>

## Survey Comparison

<table>
<thead>
<tr>
<th>Rate Structure</th>
<th>Survey Respondents</th>
<th>MWDOC Staff</th>
<th>RFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of member agency meters (current rate structure)</td>
<td>3.3</td>
<td>3.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Number of member agency meters by size</td>
<td>3.3</td>
<td>3.4</td>
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<td>2.8</td>
<td>3.2</td>
<td>3.9</td>
</tr>
<tr>
<td>Turnout meters required to serve member agency</td>
<td>2.2</td>
<td>2.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Population in member agency service area</td>
<td>2.6</td>
<td>3.8</td>
<td>2.5</td>
</tr>
<tr>
<td>Number of member agencies</td>
<td>1.8</td>
<td>2.1</td>
<td>2.2</td>
</tr>
</tbody>
</table>
Survey Results - Alternatives

1. Please add total potable and/or groundwater replenishment water demand.
   - Takeaway: Everyone should pay including groundwater replenishment agencies for MWDOC services

2. Currently we are charged by usage (Acre foot). My vote is to keep it the same.
   - You are charged a pass-through rate per AF for volumetric use
   - MWDOC's Core services are charged in proportion to the number of agency meters

3. Combination of fixed and variable (meter and historical flow); examine SDCWA's methodology that was adopted in 2015.
   - SDCWA has significant capital projects and is not good comparison to MWDOC services
   - Are services/benefits proportional to water purchases?

Does OCWD benefit from MWDOC Services?

MWDOC works with the Metropolitan Water District to coordinate and administer replenishment water, groundwater programs and advocacy.  

- These costs/services are reflected in Planning & Resource Development (Cost Center 21) and Met Issues and Special Projects (Cost Center 23)
- Shouldn’t OCWD pay for direct services they receive?
- Only a subset of MWDOC agencies directly benefit from the basin and currently those that don’t benefit are paying for OCWD
- Payments from other agencies will decrease if OCWD pays for their direct services
- Propose that MWDOC has two customer classes (Retail and Groundwater Replenishment)

1 Based on RFC review of MWDOC services. OCWD uses an average of 16% of MWDOC water sold (10 year average)
Member Agency Manager Comments

- OCWD Manager stated they believe the current rate structure is appropriate for Orange County Water District
  - Orange County Water District provides regional benefits to all of MWDOC agencies
  - Three south Orange County water agency managers agreed
    - No one disagreed with this statement (Staff from about half of Member Agencies were present)

Core / Choice Evaluation

- RFC evaluated the Core and Choice program
- Current approach meets cost of service principles
- Choice programs have specific benefits to the Member Agencies that participate
Next Steps

- Allocate MWDOC costs based on cost of service principles
- Allocate costs by the following methods:
  - Number of meters
  - Number of meters by size
  - Historical water use
- A&F Committee input?

Proposed Schedule

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>DATES</th>
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</table>
| GUIDING PRINCIPLE DISCUSSIONS WITH A&F COMMITTEE | A&F Committee Meeting – 1/13/2016
|                                           | Managers Meeting – 1/21/2016               |
|                                           | Managers Meeting – 2/4/2016                |
|                                           | A&F Committee Meeting – 2/10/2016          |
| WHOOLESALE RATE MODEL DEVELOPMENT         | February                                   |
|                                           | Managers Meeting – 3/17/2016               |
|                                           | A&F Committee Meeting – 4/13/16            |
|                                           | A&F Committee Meeting – 5/11/16            |
| REPORT DEVELOPMENT & FINAL PRESENTATION   | Board Meeting – 5/18/2016                  |
Discussion