

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION 9385

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
APPROVING
THE TREATMENT PEAKING AND STANDBY CAPACITY CHARGES**

WHEREAS, the Board of Directors (“Board”) of The Metropolitan Water District of Southern California (“Metropolitan”), pursuant to Sections 133, 134 and 134.5 of the Metropolitan Water District Act (the “Act”), is authorized to fix such rate or rates for water as will result in revenue which, together with revenue from any water standby or availability of service charge or assessment, will pay the operating expenses of Metropolitan, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by Metropolitan, and provide for the payment of the interest and principal of its bonded debt, including payment of the interest and principal of Metropolitan’s non-tax funded debt; and

WHEREAS, on April 9, 2024, the Board voted to direct Metropolitan to collaborate with member agency staff and the Climate Adaptation Master Plan for Water (CAMP4W) Task Force to review and analyze the treatment surcharge, including addressing any issues identified through that analysis, which may include, but are not limited to, revising the methodology used to calculate the charge; and

WHEREAS, a final methodology for treatment surcharge shall be prioritized within the discussions of the new business model and recommended for adoption as soon as practicable, but no later than the approval of the new business model; and

WHEREAS, on July 22, 2024, the Chair of the Board of Directors, Vice Chair for Finance and Planning, and Chair of the CAMP4Water Task Force (Board Leadership) commissioned an ad hoc working group comprised of the general managers of Metropolitan’s 26 Member Agencies (Financial Sub-Working Group) to evaluate Metropolitan’s business model and propose refinement, with direction to consider key factors:

1. Treated water cost recovery;
2. Metropolitan’s role in Member Agency local supply development;
3. Potential Member Agency supply exchange program;
4. Proportion and components of fixed and volumetric charges; and
5. Conservation program and funding source(s).

WHEREAS, the current fully volumetric treatment rate structure is inconsistent with the Board's adopted Policy Principles on Treated Water; and

WHEREAS, Metropolitan engaged Raftelis Financial Consultants to conduct an independent review of the Proposal, which concluded that the proposed cost recovery structure provides a reasonable balance between cost-of-service principles and Metropolitan's broader financial objectives; and

WHEREAS, the development of the proposed charges was guided by principles including consistency with cost-of-service methodologies, alignment of cost responsibility with services received, and enhancement of revenue stability; and

WHEREAS, at the June 2025 Board meeting, the Finance Sub-Working groups analysis resulted in two (2) treatment capacity charge options:

1. March 14, 2025 Member Agency Proposal – Annual Peak; and
2. March 14, 2025 Member Agency Proposal – Summer Peak.

WHEREAS, the Board has directed and recommended proceeding with the adoption of the March 14, 2025 Member Agency Proposal – Annual Peak as the selected option for implementing the treatment capacity charge, which includes the following components:

1. Peaking Capacity Charge that would be allocated to member agencies based upon three-year trailing maximum peak day flow through treated water service connections throughout the year;
2. Used Standby Capacity Charge that would be allocated to member agencies based upon ten-year trailing annual standby capacity, calculated as the maximum annual use minus average use in acre feet;
3. Remaining Standby Capacity Charge that would be allocated to member agencies based upon five-year trailing maximum annual use in acre feet;

WHEREAS, the the Peaking, Used Standby, and Remaining Standby Capacity Charges are proposed to collectively recover up to 30% of the treatment revenue requirements, unless the total allocated fixed costs are less than 30%, with the remaining approximately 70% of treatment costs to be recovered through volumetric charges; and

WHEREAS, to allow member agencies adequate time to plan for the operational and financial impacts on their agencies and sub-agencies, the Proposal recommends phasing in the Peaking, Used Standby, and Remaining Standby Capacity Charges over three (3), ten (10), and five (5) years, respectively, and integrating these charges into Metropolitan's biennial cost of service process effective with rates and charges beginning Calendar Year 2027; and

WHEREAS, the FAAME Committee considered the Proposal at its regular June 2025 meeting, pursuant to informational presentations, review, and deliberation; and

WHEREAS, each of said meetings of the Board were conducted in accordance with the Brown Act (commencing at 54950 of the Government Code), at which due notice was provided and quorums were present and acting throughout; and

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

Section 1. That the Board of Directors of Metropolitan hereby adopts the March 14, 2025 Member Agency Proposal – Annual Peak as the selected option for implementing the treatment capacity charges as part of a hybrid cost recovery structure that includes both fixed and volumetric charges:

1. Peaking Capacity Charge that would be allocated to member agencies based upon three-year trailing maximum peak day flow through treated water service connections throughout the year.
2. Used Standby Capacity Charge that would be allocated to member agencies based upon ten-year trailing annual standby capacity, calculated as the maximum annual use minus average use in acre feet.
3. Remaining Standby Capacity Charge that would be allocated to member agencies based upon five-year trailing maximum annual use in acre feet.

Section 2. That the Peaking, Used Standby, and Remaining Standby Capacity Charges are to collectively recover up to 30% of the treatment revenue requirements, unless the total allocated fixed costs are less than 30%, with the remaining approximately 70% of treatment costs to be recovered through volumetric charges.

Section 3. That the Peaking, Used Standby, and Remaining Standby Capacity Charges are phased in over three (3), ten (10), and five (5) years, respectively.

Section 4. That the Board acknowledges further work is needed to evaluate additional treatment-related cost recovery elements, including: potential regional drought reliability charges; considerations related to incremental peaking; refinements to the methodology for unused standby capacity; and identification of opportunities to partially or fully decommission unneeded treatment infrastructure. These items are to be considered for possible inclusion in future budget cycles.

Section 5. That the Board hereby directs the General Manager to integrate into Metropolitan's biennial cost of service process for the proposal of rates and charges a Treatment Capacity Charge effective January 1, 2027.

Section 6. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

Section 7. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by publication.

Section 8. That the Board Executive Secretary is hereby directed to transmit a certified copy of this Resolution to the presiding officer of the governing body of each member agency.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on July 8, 2025.



Board Executive Secretary
The Metropolitan Water District
of Southern California