

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION 9386

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
FIXING AND ADOPTING WATER RATES
TO BE EFFECTIVE JANUARY 1, 2027 AND 2028**

The Board of Directors of The Metropolitan Water District of Southern California (the “Board”) hereby finds that:

1. The Board, pursuant to Sections 133 and 134 of the Metropolitan Water District Act (the “Act”), is authorized to fix such rate or rates for water that, so far as practicable, will result in revenue which, together with revenue from any water standby or availability service charge or assessment, will pay the operating expenses of Metropolitan Water District of Southern California (“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; and

2. By Resolution 8774, “Resolution Of The Board Of Directors Of The Metropolitan Water District Of Southern California To Approve Rate Structure Proposal And To Direct Further Actions In Connection Therewith,” adopted October 16, 2001, the Board approved a new revenue structure, which unbundled water rates and charges to reflect the different functions undertaken by Metropolitan to provide its services, and determined that the new rate structure (i) was consistent with the Board’s Strategic Plan Policy Principles, (ii) addressed issues raised during the consideration of the December 2000 Proposal, (iii) furthered Metropolitan’s strategic objectives of ensuring the region’s long term water supply reliability through encouragement of sound and efficient water resources management, water conservation, and accommodating a water transfer market, and (iv) enhanced the fiscal stability of Metropolitan; and

3. By Resolution 8774, the Board directed the General Manager to implement the new rate structure in proposed rates and charges beginning January 1, 2003, in accordance with Metropolitan’s annual rate-setting procedure under the Administrative Code, which became a biennial rate-setting procedure in 2010; and

4. On March 12, 2002, the Board adopted Resolution 8805, “Resolution Of The Board Of Directors Of The Metropolitan Water District Of Southern California Fixing And Adopting Rates And Charges For Fiscal Year 2002/03 Connection Therewith”, implementing for

the first time the new rate structure and finding that the cost of service process for the new rate structure reasonably and fairly: (i) identified revenue requirements; (ii) allocated costs to the functions that Metropolitan undertakes to provide its services to its member agencies; (iii) classified service function costs based upon use of and benefit from Metropolitan's system, and (iv) allocated costs to rates and charges based upon customary water industry standards; and

5. Raftelis Financial Consultants, Inc. ("RFC"), the firm engaged in 1998 to perform a comprehensive cost of service study and assist in the development of the rate structure, has reviewed Metropolitan's ongoing application of the rate structure and methodology periodically and found them to be consistent with water industry best practices and guidelines in the American Water Works Association's Manual M-1, *Principles of Water Rates, Fees and Charges*; and

6. Since the initial adoption of the rate structure, Metropolitan's Board has made some modifications. On November 23, 2021, Metropolitan's Board approved an action directing staff to recover 100 percent of demand management costs from Metropolitan's supply rate elements in the future rate and charge proposals and no longer adopted a Water Stewardship Rate element. In 2025, following the expiration of the ten-year purchase orders with its member agencies, Metropolitan removed the Tier 2 Supply Rate from the rate structure. On July 13, 2025, by Resolution 9385 the Board adopted three fixed treatment charge components, including the Peaking Capacity Charge, Used Standby Capacity Charge, and Remaining Standby Capacity Charge, which collectively will be set recover up to 30% of the treatment revenue requirements, with the remainder continuing to be recovered through the volumetric Treatment Surcharge. The new treatment fixed charges are to be incorporated into the rate structure beginning January 1, 2027 and will be phased in as set forth in Resolution 9385; and

7. Proceeds of the rates and charges and other revenues from the sale or availability of water are pledged to the payment of Metropolitan's revenue bonds, subordinate revenue bonds, short-term certificates and commercial paper pursuant to Resolution 8322, adopted by the Board on May 14, 1991, Resolution 8329, adopted by the Board on July 9, 1991, Resolution 9199, adopted by the Board on March 8, 2016, and Resolution 9201, adopted by the Board on March 8, 2016, and as each is thereafter amended and supplemented; and

8. The rates and charges for services are adopted by Metropolitan and charged to its member agencies, and are not fees or charges imposed upon real property or upon persons as an incident of property ownership; and

9. On October 14, 2025, the General Manager presented to the Board an integrated overview of near-term budget drivers and long-term resource planning, in anticipation of the proposed Biennial Budget for fiscal years 2026/27 and 2027/28 and the rates and charges for calendar years 2027 and 2028; and

10. On February 10, 2026, the General Manager and Chief Financial Officer presented to the Board and the public the proposed biennial budget for fiscal years 2026/27 and 2027/28, identifying key assumptions, addressing key circumstances such as low projected water transactions, and increased cost pressures, incorporating a ten-year financial forecast;

determining anticipated total revenues and revenues anticipated to be derived from water transactions and firm revenue sources required during fiscal years 2026/27 and 2027/28, identifying revenue requirements for that period and recommending rates and charges consistent with cost of service principles to be effective January 1, 2027 and January 1, 2028, and explaining that costs and revenues may be at variance with forecasts and variations will be addressed, for example by contributions to, or withdrawals from, financial reserves maintained for this purpose; and

11. The recommended rates and charges were developed using the same unbundled water rate elements in the rate structure approved by Resolution 8774 and implemented by Resolution 8805, and as modified pursuant to the actions set forth in paragraph 6. The implementation of the rate structure is detailed in the FYs 2026/27 and 2027/28 Cost of Service Report for Proposed Water Rates and Charges (the “2026 Cost of Service Report”) provided to the Board and the public on January 29, 2026; and

12. The detailed proposed biennial budget for fiscal years 2026/27 and 2027/28 (the “Proposed Biennial Budget”), including the Capital Investment Plan (“CIP”) Appendix was also distributed to the Board and the public on January 29, 2026; and

13. Board workshops and discussions regarding the Proposed Biennial Budget and future water rates and charges were held on February 10, 2026, March 10, 2026, and April 14, 2026 at the regularly scheduled Finance, Affordability, Asset Management, and Efficiency (“FAAME”) Committee meetings, and on February 24, 2026 and March 24, 2026 at special joint meetings of the FAAME Committee and Board of Directors; and

14. The Board conducted a public hearing at its regular meeting on March 10, 2026, at which interested parties were given the opportunity to present their views regarding the proposed water rates and charges; Notice of the public hearing was published prior to the hearing in various newspapers of general circulation within Metropolitan’s service area; and

15. Metropolitan received written comments regarding the proposed water rates and charges, which, together with Metropolitan’s responses, have been provided to the Board and the public; and

16. Before the April 14, 2026 Board meeting, the General Manager and Chief Financial Officer provided to the Board and the public a board letter describing modifications to the Proposed Biennial Budget for fiscal years 2026/27 and 2027/28 with alternatives to the budget recommendations made in February 2026 pursuant to Board and public feedback; alternatives to the determination of total revenues and of revenues to be derived from water transactions and firm revenue sources required during fiscal years 2026/27 and 2027/28, and alternatives to the proposed rates to be effective January 1, 2027 and January 1, 2028, and charges to be effective January 1, 2027; and

17. Each of the meetings of the Board was conducted in accordance with the Brown Act (commencing at Section 54950 of the Government Code), for which due notice was provided and at which quorums were present and acting throughout; and

18. All board letters, reports, presentations and other documents referred to in this Resolution may be viewed by Board members and the public on Metropolitan’s web page at the Budget & Finance page of Metropolitan’s website, <http://www.mwdh2o.com>, or in the office of the Board Executive Secretary;

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

Section 1. The Board hereby fixes and adopts the following volumetric water rates, to be effective on January 1, 2027 and January 1, 2028 as shown in the table below, in order to enhance Metropolitan’s fiscal stability and ability to ensure the region’s long-term water supply while reasonably and fairly allocating the cost of providing service to its member agencies and other potential users of Metropolitan’s system:

Table 1. Water Rates

Volumetric Water Rate Elements Effective January 1st	2027	2028
Supply Rate (\$/AF)	413	440
System Access Rate (\$/AF)	472	525
System Power Rate (\$/AF)	145	141
Treatment Surcharge (\$/AF)	390	408
Full Service Untreated Volumetric Rate (\$/AF)	1,030	1,106
Full Service Treated Volumetric Rate (\$/AF)	1,420	1,514

Section 2. The Board finds and determines that the rates specified in Section 1 utilize the unbundled water rate and charge elements of the rate structure approved by Resolution 8774 and first implemented by Resolution 8805, and Board approved modifications since those resolutions, including Resolution 9385, and that the cost of service process supporting the rates and charges specified in Section 1 is the cost of service process described in the 2026 Cost of Service report and in the revised report provided to the Board prior to the April 14, 2026 meeting. The adopted rates and charges and final cost of service reports will be on file at the Budget & Finance page of www.mwdh2o.com and available for review by interested parties at Metropolitan’s headquarters.

Section 3. The Board finds and determines that the cost of service process reasonably, fairly and proportionately: (i) identifies revenue requirements; (ii) shows the costs of major service functions that Metropolitan undertakes, (iii) assigns costs to the service functions; (iv) allocates service function costs based upon use of and benefit from Metropolitan’s system, and (v) distributes costs to rates and charges based upon customary water industry standards. Accordingly, the Board finds that the cost of service process supports the rates and charges by creating a logical nexus between the costs and the revenues required and the rates and charges necessary to defray Metropolitan’s costs of providing its services and for use of its water system.

Section 4. The Board finds and determines that the rates specified in Section 1 are fixed by the Board pursuant to Sections 133 and 134 of the Act, and, so far as practicable, will result in revenue which, together with revenue from the Readiness-to-Serve Charge, Capacity Charge, and Treatment Fixed Charges 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. Actual revenues and expenses may vary from budgeted amounts for a variety of reasons, and Administrative Code Section 5202(e) contemplates variation in actuals to budget and provides policy guidance to the Board, and the Board finds and determines that Metropolitan's financial obligations may include liabilities and future commitments, such as retiree obligations and debt service, that are not reflected in the budget but that can be addressed in a fiscally prudent manner to reduce future obligations and keep future rate increases reasonable within the policy guidance provided by Administrative Code Section 5202(e).

Section 5. The Board finds and determines that mix of revenue sources from the volumetric rates in Section 1, estimated property tax revenues, fixed charges revenues, and other miscellaneous income is reasonably diverse for the purpose of enhancing Metropolitan's fiscal integrity, reducing volatility in rate increases to Metropolitan's member agencies, and increasing service reliability long term.

Section 6. The Board finds and determines that the rates specified in Section 1, together with other revenues from Metropolitan's charges, ad valorem property taxes, and other miscellaneous revenue, do not exceed the reasonable and necessary cost of providing Metropolitan's water services for which the rates and charges are made, or of conferring the benefit provided.

Section 7. The Board finds and determines that the respective per-acre-foot rates and charges specified in Section 1 are paid for the corresponding products or services and use of Metropolitan's water system, that Metropolitan provides such products or services directly to the member agencies or other users of Metropolitan's system that pay such rates and charges, and that such products or services are not provided to those not charged.

Section 8. 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 9. If any provision of this Resolution is held invalid, that invalidity shall not affect other provisions of this Resolution which can be given reasonable effect without the invalid portion or application, and to that end the provisions of this Resolution are severable.

Section 10. That the Board Executive Secretary is hereby directed to transmit a 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 April 14, 2026.



Secretary of the Board of Directors
of The Metropolitan Water District
of Southern California