

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION 9388

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
FIXING AND ADOPTING
A CAPACITY CHARGE
EFFECTIVE JANUARY 1, 2027**

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 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. The Capacity Charge is a charge fixed and adopted by Metropolitan and charged to its member agencies, and is not a fee or charge imposed upon real property or upon persons as an incident of property ownership; and

8. The Capacity Charge shall be in an amount sufficient to provide for payment of the capital financing costs not paid from appropriate ad valorem property taxes, as well as other appropriately allocated costs, incurred to provide peaking capacity within Metropolitan's distribution system; and

9. The Capacity Charge is charged (on a dollar per cubic-foot-per-second basis) to member public agencies ("member agencies"), based upon the amount of capacity used by such member agency that is designed to recover the cost of providing peaking capacity within the distribution system; and

10. The Capacity Charge is intended to recover the debt service and other appropriately allocated costs to construct, operate and maintain projects needed to meet peak demands on Metropolitan's distribution system, as shown in the FYs 2026/27 and 2027/28 Cost of Service Report for Proposed Water Rates and Charges (the "2026 Cost of Service Report"), as introduced on February 10, 2026, modified to meet alternative rates and charges options proposed to the Board, and finalized following the Board's approval of the budget, rates, and charges on April 14, 2026; and

11. Proceeds of the Capacity Charge 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

12. 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

13. 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

14. The Capacity Charge was 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

15. 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

16. 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

17. 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

18. 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

19. 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

20. On April 14, 2026, the Board considered the options for rates and charges presented by the General Manager and approved the biennial budget for fiscal years 2026/27 and 2027/28 and adopted water rates for calendar years 2027 and 2028 and charges for calendar year 2027, and received information and documents available at the Budget and Rates pages of Metropolitan's website www.mwdh2o.com; and

21. In approving the biennial budget and adopting the rates and charges on April 14, 2026, the Board determined the amount of revenue to be raised by the Capacity Charge in calendar year 2027 to be based on a Capacity Charge in such year of \$17,500 per cubic-foot-per-second, based on information and documents available at www.mwdh2o.com; and

22. Each of the meetings of the Board were 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;

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 a Capacity Charge (set in dollars per cubic-foot-per-second of the peak day capacity) for capacity provided to a member agency, based on the maximum summer day demand placed on the system between May 1 and September 30 for the three-calendar year period ending December 31, 2025, to be effective January 1, 2027, as follows:

Table 1. Calendar Year 2027 Capacity Charge

Calendar Year 2027 Capacity Charge					
	Peak Day Demand (cfs) (May 1 through September 30)				Rate (\$/cfs): \$17,500
	Calendar Year				
Member Agency	2023	2024	2025	3-Year Peak	Charge
Anaheim	64.0	23.9	31.1	64.0	\$1,120,000
Beverly Hills	20.6	20.9	19.3	20.9	\$365,750
Burbank	16.3	15.5	11.3	16.3	\$285,250
Calleguas	159.6	167.1	171.8	171.8	\$3,006,500
Central Basin	53.7	50.4	44.5	53.7	\$939,750
Compton	3.2	0.0	3.7	3.7	\$64,750
Eastern	190.5	229.8	265.0	265.0	\$4,637,500
Foothill	14.9	18.1	15.7	18.1	\$316,750
Fullerton	13.8	24.8	28.1	28.1	\$491,750
Glendale	29.0	32.6	29.2	32.6	\$570,500
Inland Empire	99.5	68.7	82.1	99.5	\$1,741,250
Las Virgenes	37.9	30.6	32.6	37.9	\$663,250
Long Beach	41.5	37.9	34.3	41.5	\$726,250
Los Angeles	452.3	433.5	551.0	551.0	\$9,642,500
MWDOC	233.6	258.5	260.5	260.5	\$4,558,750
Pasadena	33.0	35.0	32.6	35.0	\$612,500
San Diego CWA	558.6	498.5	577.0	577.0	\$10,097,500
San Fernando	5.0	0.0	0.0	5.0	\$87,500
San Marino	4.3	4.5	3.7	4.5	\$78,750
Santa Ana	6.2	10.3	9.2	10.3	\$180,250
Santa Monica	21.0	20.1	19.8	21.0	\$367,500
Three Valleys	110.4	98.4	102.9	110.4	\$1,932,000
Torrance	27.1	28.2	27.6	28.2	\$493,500
Upper San Gabriel	11.5	16.4	17.8	17.8	\$311,500
West Basin	171.7	175.6	173.9	175.6	\$3,073,000
Western MWD	181.7	187.8	151.5	187.8	\$3,286,500
Total	2,560.9	2,487.1	2,696.2	2,837.2	\$49,651,000

Totals may not foot due to rounding

Section 2. The allocation of the Capacity Charge among member agencies is based on data recorded by Metropolitan and shall be conclusive in the absence of manifest error. Corrections may be

made by staff for any incorrect recording or calculation, upon verification by the member agency, in accordance with the Administrative Code.

Section 3. The General Manager shall establish and make available to member public agencies procedures for administration of the Capacity Charge, including filing and consideration of applications for reconsideration of their respective Capacity Charge. The General Manager shall review any applications for reconsideration submitted in a timely manner. The General Manager shall also establish reasonable procedures for the filing of appeals from his determination.

Section 4. The Capacity Charge shall be a fixed charge as shown in Section 1 and collected from each member agency monthly, quarterly or semiannually as agreed to by Metropolitan and the member agency.

Section 5. The Capacity Charge specified in Section 1, together with other revenues from Metropolitan's water rates, other charges, ad valorem property taxes, and other miscellaneous revenue, does not exceed the reasonable and necessary cost of providing Metropolitan's water service for which the rates and charges are made, or conferring the benefit provided, and is fairly apportioned to each member agency in proportion to the peak day capacity utilized by each member agency.

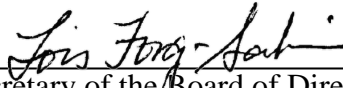
Section 6. The Board finds and determines that mix of revenues sources from the Capacity Charge in Section 1, estimated property tax revenues, other fixed charges revenues, volumetric rates, and other miscellaneous income is reasonably diverse for the purpose of enhancing Metropolitan's fiscal integrity, reducing volatility in rate increases to Metropolitan's member agencies, and increasing service reliability long term.

Section 7. 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 and taking all necessary action to satisfy relevant statutes requiring notice by publication.

Section 8. If any provision of this Resolution or the application to any member agency, property or person whatsoever is held invalid, that invalidity shall not affect other provisions or applications 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 9. 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