



September 14, 2011

**Attention: Administrative and Finance Committee**

**Amend Ordinance 2011-01 to correct an error in the allocation of the Storage, Customer Service and Readiness-to-Serve charges to member agencies. (Action)**

**Purpose**

To correct the member agency Storage, Customer Service, and Readiness-to-Serve charge allocations previously adopted by the Board.

**Staff recommendation**

Adopt Ordinance 2011 – An Ordinance of the Board of Directors of the San Diego County Water Authority amending Ordinance 2011-01 to correct the allocation of the storage, customer service and readiness-to serve charges.

**Fiscal impact**

There is no fiscal impact to the Water Authority from this action. The proposed changes will reallocate the Storage, Customer Service and Readiness-to-Serve (RTS) charges among the member agencies based upon the corrected calculation of historic water deliveries in accordance with the established rate setting formula.

**Background**

In June 2002, the Board of Directors adopted Ordinance 2002-03 that set the rates and charges for Fiscal Year 2002-2003, which included new fixed rates and charges for both the Authority and MWD. This action transitioned the rate structure from a historical unit price ("postage stamp") water rate to assigning the revenue requirements to functional categories. These categories are Customer Service, Storage, Transportation and Supply.

Included in this new structure are fixed charges which are allocated to member agencies based on historical deliveries. These include the Water Authority's Storage and Customer Service charges as well as MWD's Readiness-to-Serve Charge.

On September 29, 2003, the Water Authority entered into a multi-agency agreement to provide temporary emergency delivery to Tijuana of Mexican Treaty Waters. Paragraph 7(d) of this agreement requires the Otay Water District receive credits on their monthly invoices for all costs associated with the delivery of the water to Tijuana.

*Previous Board actions:*

*On June 27<sup>th</sup>, 2002 the Board adopted the new functional rate structure.*

*On June 23<sup>rd</sup>, 2011 the Board adopted the Water Authority's 2012 rates and charges.*

**Discussion**

In the process of developing tables that allocate these charges during the rate setting process earlier this year, staff did not reverse out deliveries to Tijuana and did not include the manual miscellaneous adjustments in the calculation of water deliveries to member agencies. As a result, three of the tables adopted by Ordinance 2011-01 require correction.

Staff discussed this issue and required corrections with member agency staff. Information included the source of the error, the revised allocations and the impacts of the revised allocations.

The proposed ordinance will adopt amended tables for the allocation of charges among member agencies. Tijuana deliveries and manual miscellaneous adjustments were properly accounted for in prior years. A process has been put in place to ensure future calculations include adjustments for both Tijuana and manual miscellaneous adjustments. The corrected calendar year 2012 Customer Service and Storage Charge allocations to member agencies are shown in Tables 2 and 3 of the attached ordinance, and will be billed to member agencies starting January 1, 2012.

The RTS is levied as a component of the Supply Charge and was imposed effective July 1, 2011. Billing adjustments will be made to correct for the fiscal year 2012 RTS billing errors made from July 1, 2011 through August 31, 2011. As indicated in the table to the right, member agencies that have been overcharged will receive a one-time credit and member agencies that have been undercharged will receive a one-time charge to their water bill for September equal to

<b>Member Agency</b>	<b>RTS Billing Adjustment</b> Total Adjustment (7/1/11 through 8/31/11)
Carlsbad M.W.D.	\$ 64
Del Mar, City of	4
Escondido, City of	70
Fallbrook P.U.D.	32
Helix W.D.	120
Lakeside W.D.	16
Oceanside, City of	(286)
Olivenhain M.W.D.	70
Otay W.D.	(1,234)
Padre Dam M.W.D.	50
Pendleton Military Reservation	-
Poway, City of	44
Rainbow M.W.D.	36
Ramona M.W.D.	24
Rincon Del Diablo M.W.D.	24
San Diego, City of	726
San Dieguito W.D.	16
Santa Fe I.D.	30
Sweetwater Authority	40
Vallecitos W.D.	54
Valley Center M.W.D.	38
Vista I.D.	60
Yuima M.W.D.	-
Contract Water	2
<b>Totals</b>	<b>\$ -</b>

the RTS adjustment shown in the table below. Table 5 of the attached ordinance shows the revised fiscal year 2012 RTS allocations. Beginning with September 2011, member agency water bills will reflect charges consistent with Table 5.

Prepared by: Rod Greek, Controller  
Reviewed by: Eric Sandler, Director of Finance/Treasurer  
Approved by: Sandra L. Kerl, Deputy General Manager

Attachment: Ordinance 2011 – An Ordinance of the Board of Directors of the San Diego County Water Authority amending Ordinance 2011-01 to correct the allocation of the storage, customer service and readiness-to serve charges.

ORDINANCE NO. 2011-\_\_

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AMENDING ORDINANCE 2011-01 TO CORRECT THE ALLOCATION OF THE STORAGE, CUSTOMER SERVICE AND READINESS-TO-SERVE CHARGES.

WHEREAS, the Director of Finance has reported that an error occurred in the calculation of the Customer Service, Storage, and Readiness-to-Serve Charge allocations that were shown on Tables 2, 3, and 5 as adopted by Ordinance No. 2011-01; and

WHEREAS, the Board of Directors desires to correct the error; and

WHEREAS, under Ordinance No. 2011-01, the Readiness-to-Serve Charge was imposed effective July 1, 2011;

WHEREAS, under Ordinance No. 2011-01, the Customer Service and Storage Charges will be effective on January 1, 2012;

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

1. Ordinance 2011-01 is amended, nunc pro tunc, by the amendment of Tables 2, 3 and 5 as shown on Attachment A to this ordinance. Except as amended by this ordinance, all provisions, terms and conditions of Ordinance 2011-01 shall remain in full force and effect. Nothing in this ordinance is intended to change the effective date of any rate or charge pursuant to Ordinance No. 2011-01.
2. This ordinance shall be effective upon adoption.
3. The Clerk of the Board shall publish this ordinance or a summary prepared by the General Counsel pursuant to Section 1.00.040 of the Administrative Code.

PASSED, APPROVED AND ADOPTED, this 22nd day of September, 2011.

AYES:

NOES:

ABSTAIN:

ABSENT:

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Michael T. Hogan  
Chair

ATTEST:

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Richard K. Smith,  
Secretary

I, Doria F. Lore, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance No. 2011-\_\_\_\_\_ was duly adopted at the meeting of the Board of Directors on the date stated above.

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Doria F. Lore,  
Clerk of the Board

## ATTACHMENT A

<b>Table 2 - Customer Service Charge Allocation</b>			
<b>Member Agency</b>	<b>Approved Monthly Charge</b>	<b>Revised Monthly Charge</b>	<b>Difference</b>
Carlsbad M.W.D.	\$ 76,870	\$ 76,941	\$ 71
Del Mar, City of	4,676	4,680	4
Escondido, City of	89,879	89,962	83
Fallbrook P.U.D.	60,837	60,893	56
Helix W.D.	140,472	140,602	130
Lakeside W.D. <sup>4</sup>	15,292	15,306	14
Oceanside, City of	116,059	115,714	(345)
Olivenhain M.W.D.	90,200	90,283	83
Otay W.D.	139,228	137,746	(1,482)
Padre Dam M.W.D. <sup>4</sup>	57,144	57,197	53
Pendleton Military Reservation	297	298	1
Poway, City of	51,886	51,934	48
Rainbow M.W.D.	100,193	100,286	93
Ramona M.W.D.	36,309	36,342	33
Rincon Del Diablo M.W.D.	28,883	28,910	27
San Diego, City of	803,751	804,523	772
San Dieguito W.D.	13,378	13,390	12
Santa Fe I.D.	30,421	30,449	28
Sweetwater Authority	49,682	49,728	46
Vallecitos W.D.	73,949	74,017	68
Valley Center M.W.D.	137,108	137,235	127
Vista I.D.	69,059	69,123	64
Yuima M.W.D.	11,281	11,292	11
Contract Water	3,146	3,149	3
<b>Totals</b>	<b>\$ 2,200,000</b>	<b>\$ 2,200,000</b>	<b>\$ -</b>

<sup>1</sup>Three-year rolling average of M&I, SAWR and agricultural MWD deliveries (excludes wheeled water) based on FY08-FY10 period. Rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

## ATTACHMENT A

<b>Table 3 - Emergency Storage Charge Allocation</b>			
<b>Member Agency</b>	<b>Approved Monthly Charge</b>	<b>Revised Monthly Charge</b>	<b>Difference</b>
Carlsbad M.W.D.	\$ 174,324	\$ 174,506	\$ 182
Del Mar, City of	10,833	10,844	11
Escondido, City of	173,553	173,734	181
Fallbrook P.U.D.	86,203	86,293	90
Helix W.D.	325,441	325,780	339
Lakeside W.D. <sup>4</sup>	35,252	35,289	37
Oceanside, City of	253,220	252,436	(784)
Olivenhain M.W.D.	202,838	203,049	211
Otay W.D.	322,035	318,648	(3,387)
Padre Dam M.W.D. <sup>4</sup>	124,154	124,283	129
Pendleton Military Reservation	689	689	-
Poway, City of	117,911	118,034	123
Rainbow M.W.D.	98,844	98,947	103
Ramona M.W.D.	62,857	62,923	66
Rincon Del Diablo M.W.D.	63,151	63,217	66
San Diego, City of	1,859,169	1,861,172	2,003
San Dieguito W.D.	30,993	31,025	32
Santa Fe I.D.	69,082	69,154	72
Sweetwater Authority	115,102	115,222	120
Vallecitos W.D.	156,111	156,273	162
Valley Center M.W.D.	79,804	79,887	83
Vista I.D.	156,166	156,328	162
Yuima M.W.D.	(1,065)	(1,066)	(1)
<b>Totals</b>	<b>\$ 4,516,667</b>	<b>\$ 4,516,667</b>	<b>\$ -</b>

<sup>1</sup>Three-year rolling average of firm, non-agricultural MWD deliveries based on FY08-FY10 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

## ATTACHMENT A

<b>Table 5 - Readiness-to-Serve Charge Allocation</b>			
Member Agency	Approved Monthly Charge	Revised Monthly Charge	Difference
Carlsbad M.W.D.	\$ 76,338	\$ 76,370	\$ 32
Del Mar, City of	5,286	5,288	2
Escondido, City of	99,495	99,530	35
Fallbrook P.U.D.	28,625	28,641	16
Helix W.D.	135,650	135,710	60
Lakeside W.D. <sup>4</sup>	10,566	10,574	8
Oceanside, City of	105,685	105,542	(143)
Olivenhain M.W.D.	84,462	84,497	35
Otay W.D.	124,051	123,434	(617)
Padre Dam M.W.D. <sup>4</sup>	36,124	36,149	25
Pendleton Military Reservation	415	415	-
Poway, City of	52,812	52,834	22
Rainbow M.W.D.	16,007	16,025	18
Ramona M.W.D.	7,416	7,428	12
Rincon Del Diablo M.W.D.	15,427	15,439	12
San Diego, City of	817,304	817,667	363
San Dieguito W.D.	13,621	13,629	8
Santa Fe I.D.	38,149	38,164	15
Sweetwater Authority	33,468	33,488	20
Vallecitos W.D.	56,016	56,043	27
Valley Center M.W.D.	5,471	5,490	19
Vista I.D.	67,953	67,983	30
Yuima M.W.D.	(7,095)	(7,095)	-
Contract Water	4,262	4,263	1
<b>Totals</b>	<b>\$ 1,827,508</b>	<b>\$ 1,827,508</b>	<b>\$ -</b>

<sup>1</sup>10-year rolling average of firm MWD deliveries based on FY01-FY10 period and rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

<sup>2</sup>Effective date is July 1, 2011.

<sup>3</sup>Net of \$12,724,104 in standby-charge credits and \$45,301 in MWD administrative fees.

<sup>4</sup>Lakeside W.D. is allocated 23.83% of Padre Dam M.W.D's deliveries prior to January 2008. Lakeside W.D's deliveries after January 2008 are being metered separately from Padre Dam M.W.D's deliveries.