

Calendar Year 2014

Rates and Charges Update

Administrative and Finance Committee Meeting
May 23, 2013

David Shank, Financial Planning Manager

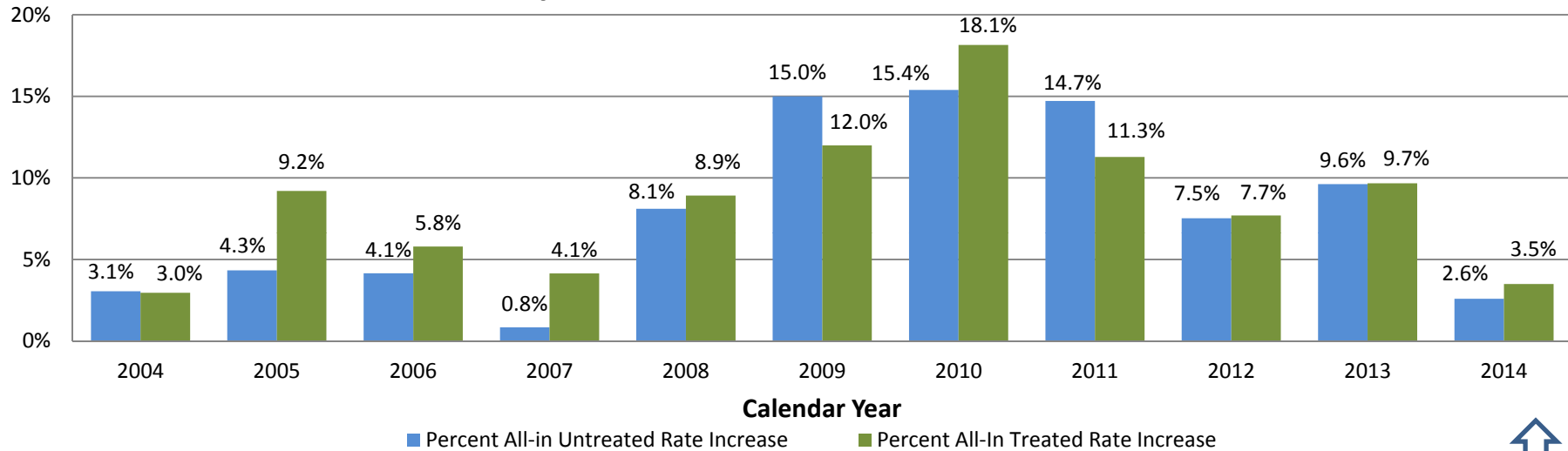


Agenda

- History of Rate Increases
- Calendar Year 2014 Rate and Charge Drivers
 - Scheduled increase in IID Water Price
 - MWD Treatment Costs
 - Achieving Financial Policies
- Proposed Rates and Charges
- Rate and Charge Calendar

History of Rate Increases

Board Adopted Treated and Untreated Rate Increases



↑
Lowest
since 2004

- Prudent Financial Management
 - Debt management
 - Operational efficiencies
- Modest increase in water sales, still not back to pre-recession sales
- MWD decreasing transportation by 1.8% in CY 2014 compared to last year's increase of 14.4%

CY 2014 Rate and Charge Drivers

- Scheduled IID water price increase of 10%
 - In CY 2015, the contract price increase = 5%
 - In CY 2016, the price of IID water will be tied to an inflation index which has averaged 2.3% over last 10 years
- MWD's treatment rate increase
 - MWD's CY 2014 rate increase is focused on treatment – 17% increase
- Securing a prudent financial position
 - Advancing towards the Board policy targets
 - Coverage target of 1.50x achieved
 - RSF approximately 85% of target with projected \$5M deposit

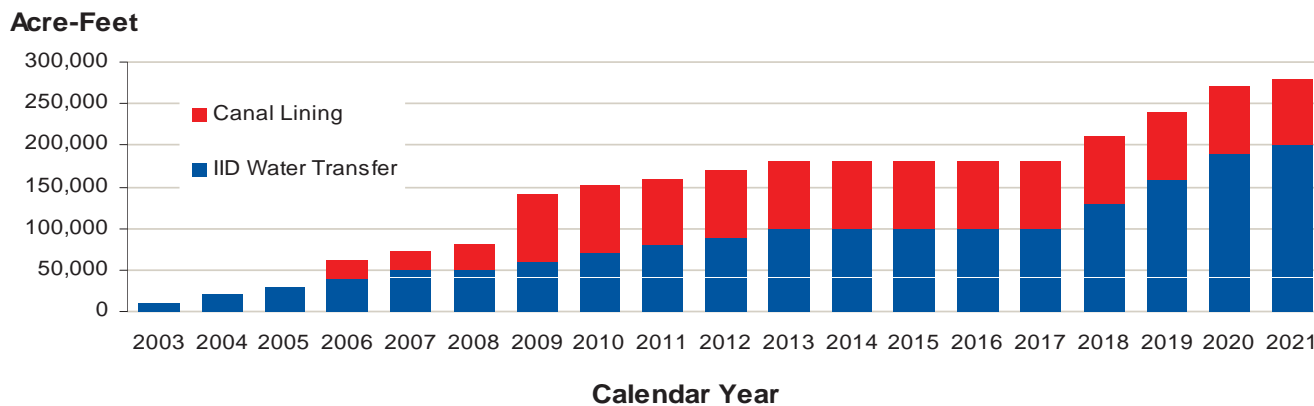
Quantification Settlement Agreement

- Colorado River QSA Supplies
 - Imperial Irrigation District transfer
 - 200,000 AF/year for 45 to 75 years
 - Canal-lining projects
 - 80,000 AF/year for 110 years
- Key to supply diversification strategy
 - Provide 180,000 acre-feet in 2014
- By 2021, 34% of region's supply



Lining the Coachella Canal

IID and Canal Lining Deliveries 2003-2021



QSA Transfer Schedule

IID Water Transfer			
CY	AF	\$/AF	% Increase
2012	90,000	\$491	-
2013	100,000	\$540	10%
2014	100,000	\$594	10%
2015	100,000	\$624	5%
2016	100,000		
2017	100,000		
2018	130,000		
2019	160,000		
2020	190,000		
2021	200,000		
2022-34	200,000		
2035-47	200,000		

*GDPIPD**

Price Formula

*GDPIPD 10-Year (2001-11) Compound Annual Growth Rate is 2.3%

Canal Lining	
AF	Estimated O&M**
80,200	\$5 - \$8/AF
80,200	\$5 - \$8/AF
80,200	\$5 - \$8/AF
80,200	\$5 - \$9/AF
80,200	\$6 - \$9/AF
80,200	\$6 - \$9/AF
80,200	\$6 - \$10/AF
80,200	\$6 - \$10/AF
80,200	\$6 - \$10/AF
80,200	\$7 - \$10/AF
80,200	\$10 - \$15/AF
80,200	\$14 - \$23/AF

**Based on increases to 10-year historical cost index



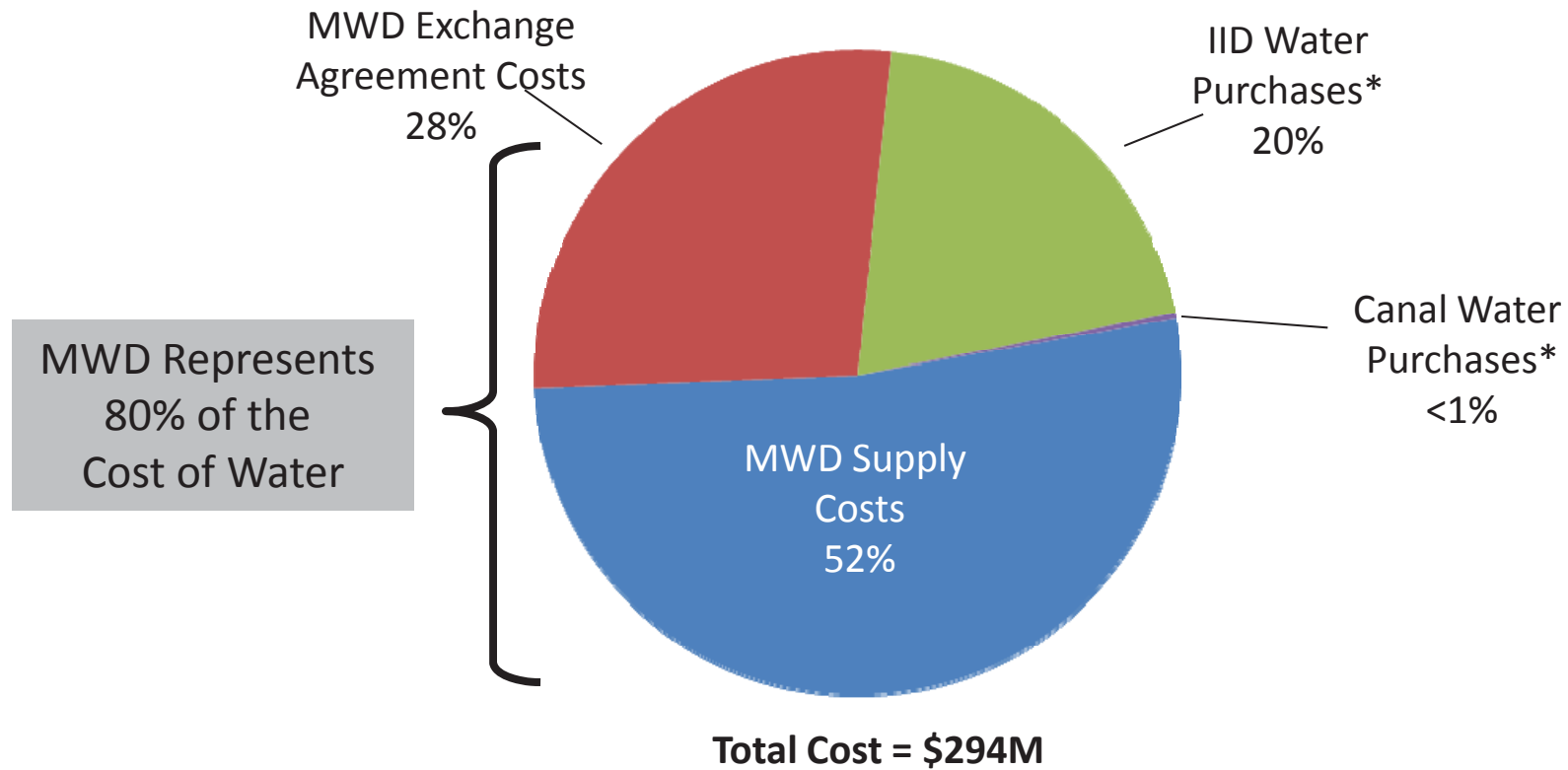
Adopted MWD CY 2014 Rates

Adopted MWD	CY 2013	CY 2014	% Change
Tier 1 Supply	\$140	\$148	5.71%
System Access	\$223	\$243	8.97%
Water Stewardship	\$41	\$41	0.0%
System Power	\$189	\$161	-14.81%
Treatment	\$254	\$297	16.93%
Tier 1 Untreated	\$593	\$593	0.0%
Tier 1 Treated	\$847	\$890	5.08%

Transportation
decrease of 1.77%

- Fixed charge increases
 - Readiness-to-Serve Charge (RTS) = 17% increase
 - Capacity Charge (CRC) = 34% increase

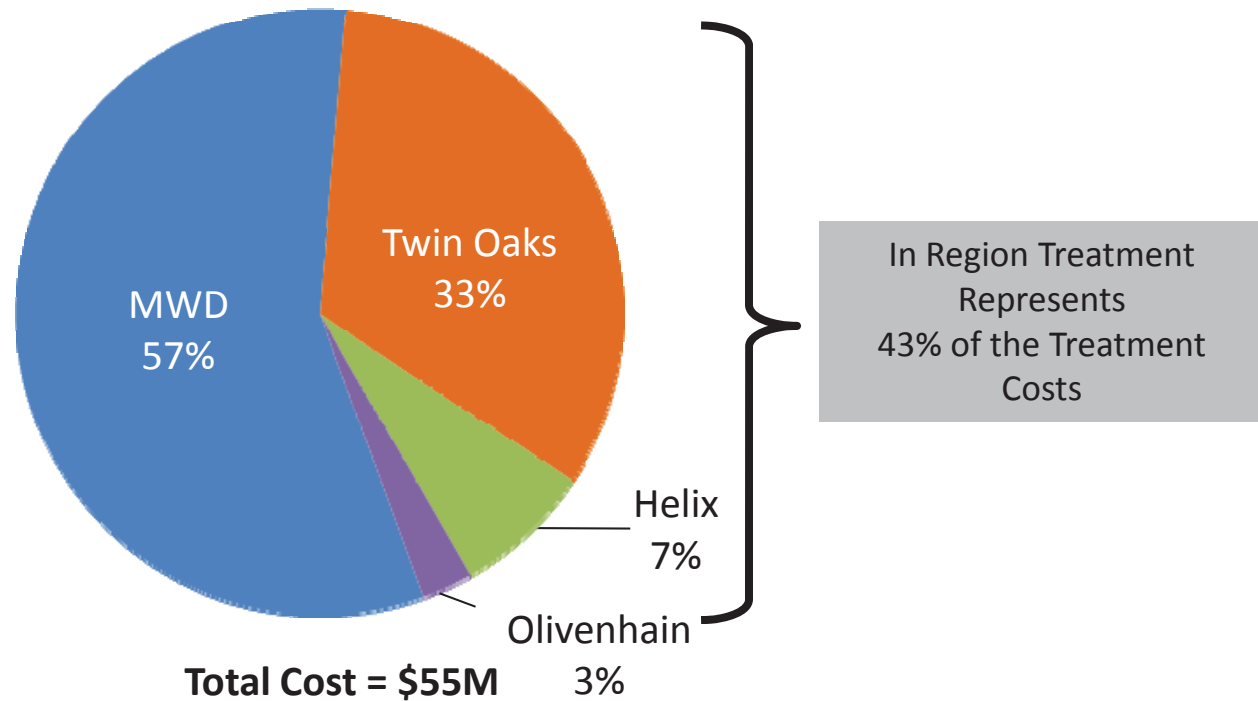
MWD Remains the Largest Share of Water Cost



Excludes MWD's fixed RTS and CRC charges

**Excludes the debt service for capital projects and recovery of settlement expenditures*

Water Authority's Treatment Costs

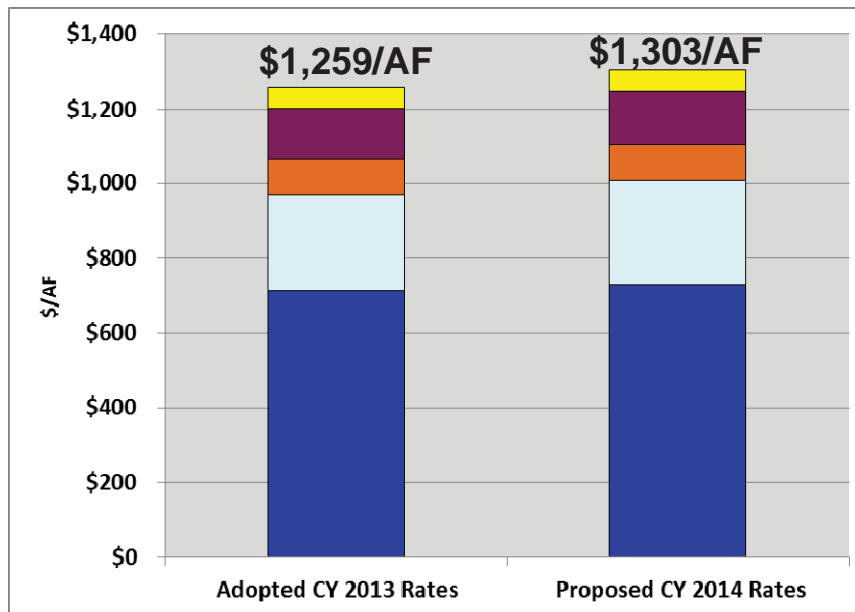


- MWD treatment costs increase by 16.9% while Water Authority costs decreased by 4.8%

Proposed Rates & Charges

Water Authority Rates and Charges	CY 2012 Previous	CY 2013 Current	CY 2014 Proposed	% Change
<i>Variable Rates</i>				
Melded M&I Supply Rate (\$/AF)	\$638	\$714	\$732	2.5%
Melded M&I Treatment Rate (\$/AF)	\$234	\$256	\$274	7.0%
Transportation Rate (\$/AF)	\$85	\$93	\$97	4.3%
<i>Fixed Charges</i>				
Storage Charge (millions)	\$54.2	\$60.2	\$63.2	5.0%
Customer Service Charge (millions)	\$26.4	\$26.4	\$26.4	0%
<i>Other Rates and Charges</i>				
Untreated Special Agricultural Water Rate (\$/AF)	\$560	\$593	\$593	0%
Treated Special Agricultural Water Rate (\$/AF)	\$794	\$849	\$867	2.1%
IAC	\$2.60/ME ²	\$2.65/ME	\$2.68/ME	1.1%
Standby Availability Charge ¹ per parcel or acre, whichever is greater	\$10	\$10	\$10	0%
System Capacity Charge	\$4,326/ME	\$4,326/ME	\$4,681/ME	8.2%
Treatment Capacity Charge	\$166/ME	\$166/ME	\$119/ME	-28.3%
¹ Fiscal year charge ² ME means meter equivalent as defined in the resolution establishing the Infrastructure Access Charge				

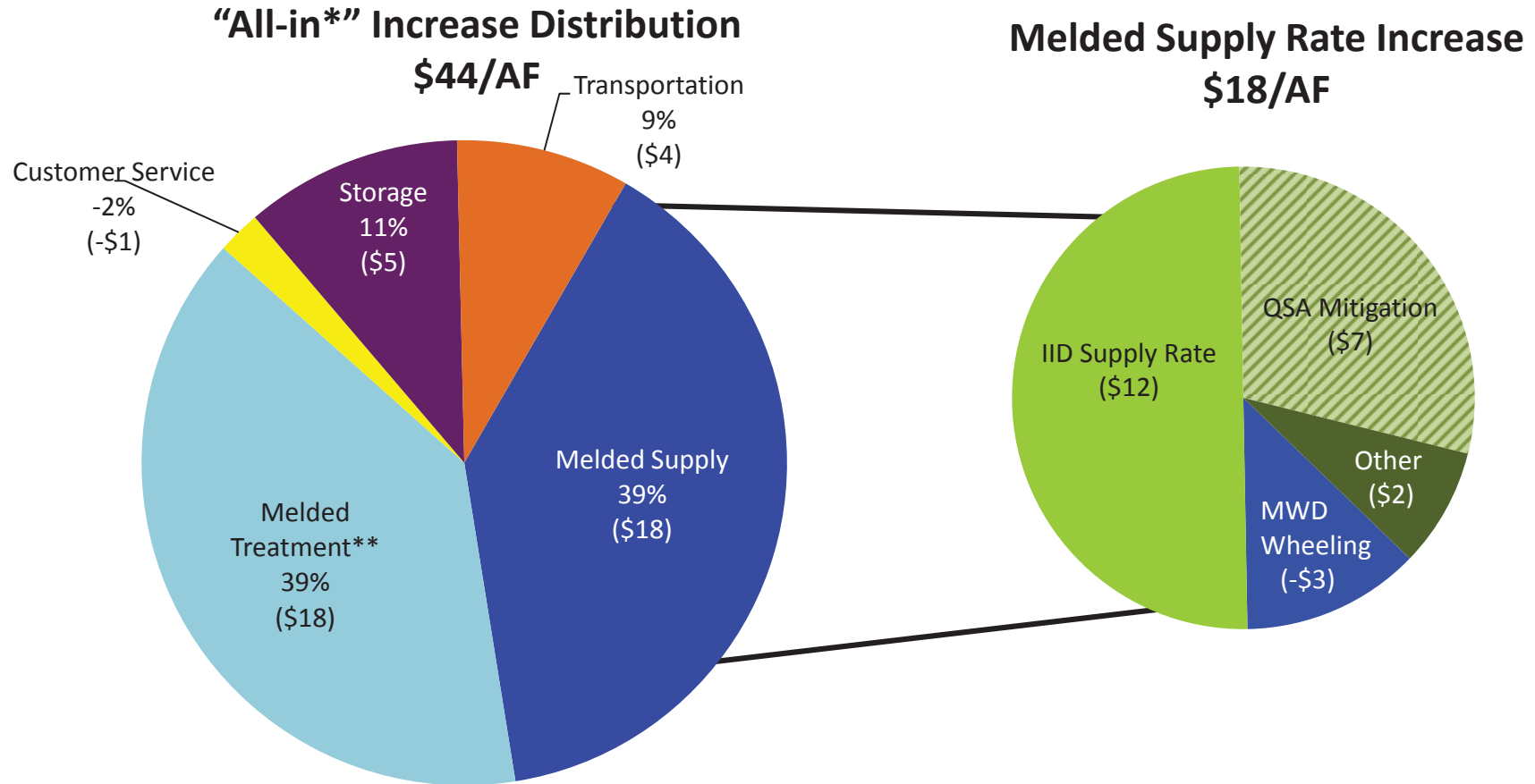
Proposed CY 2014 “All-in” M&I Water Rate Breakdown



Rates and Charges (\$/AF)	Adopted CY 2013 Rates	Proposed CY 2014 Rates	Proposed CY 2014 Increase	Increase in Percent
Merged Supply Rate	\$714	\$732	\$18	2.5%
Merged Treatment Rate	256	274	18	7.0%
Transportation	93	97	4	4.3%
Storage*	139	144	5	3.6%
Customer Service*	57	56	-1	-1.8%
Total Cost of Treated Water	\$1,259	\$1,303	\$44	3.5%
Total Cost of Untreated Water	\$1,003	\$1,029	\$26	2.6%



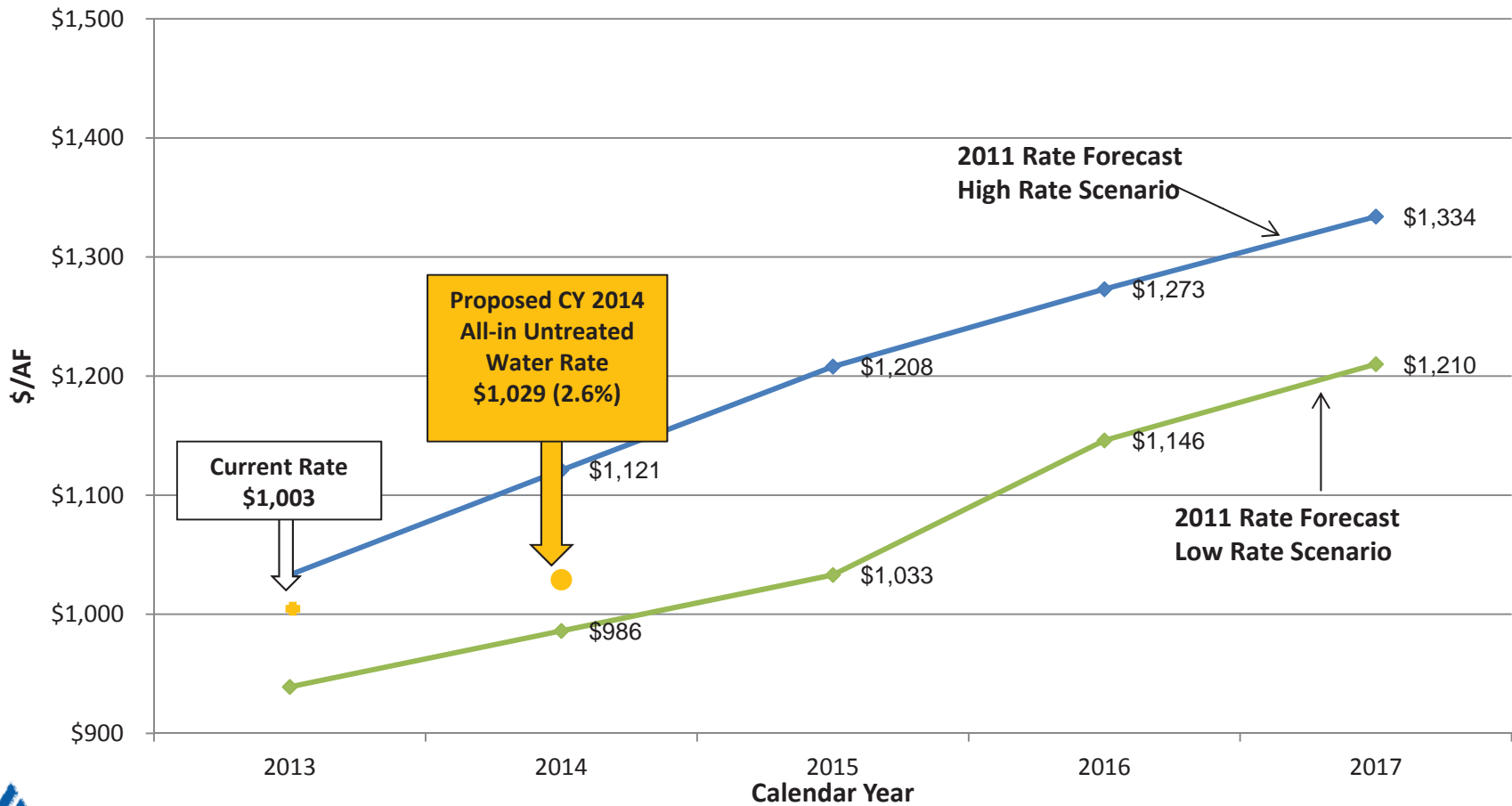
Breakdown of the CY 2014 Treated Water Rate and Charge Increases



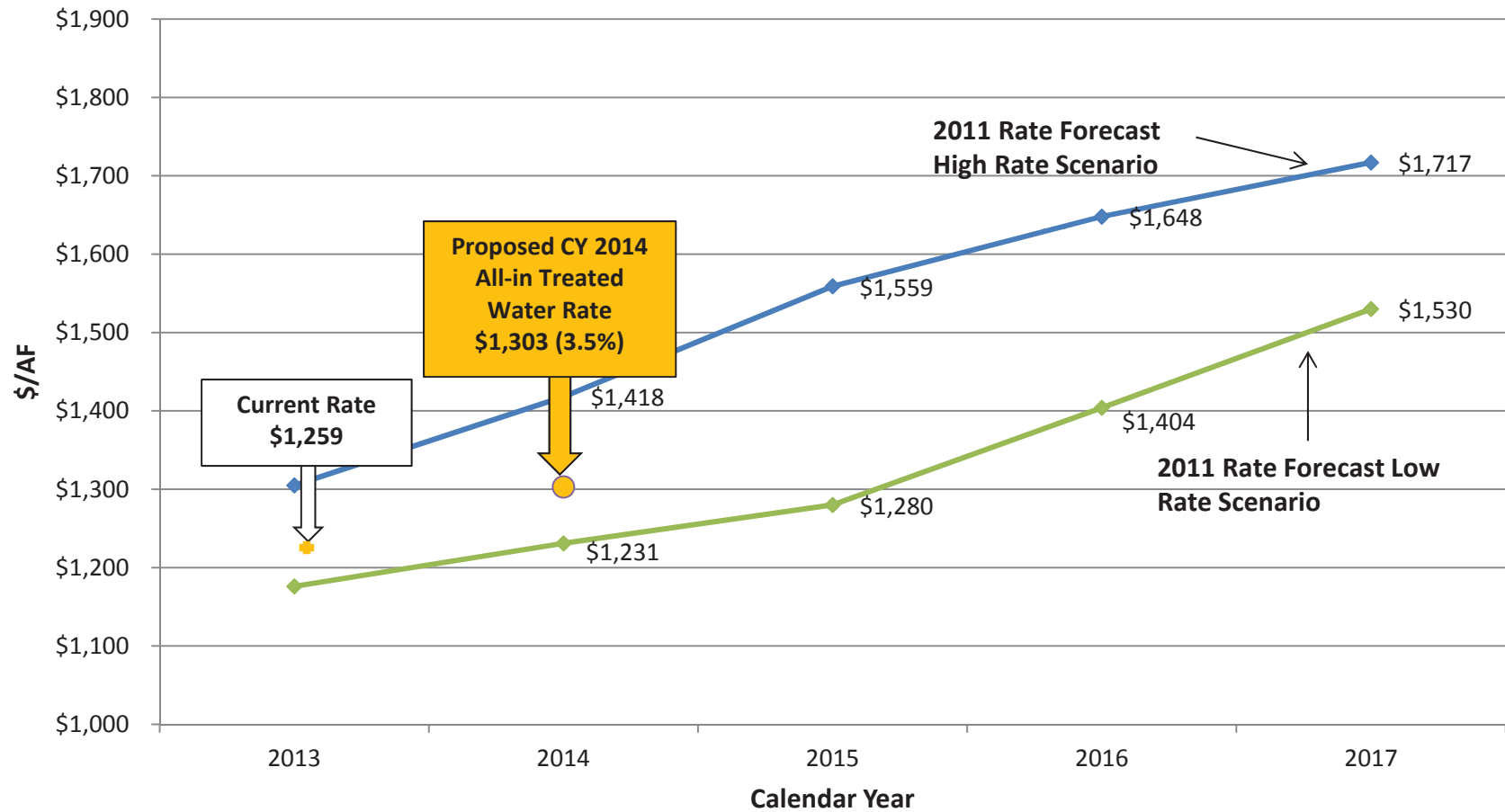
*Converted to \$/AF based on sales forecast

**MWD treatment costs represent 100% of the increase in the Merged Treatment Rate

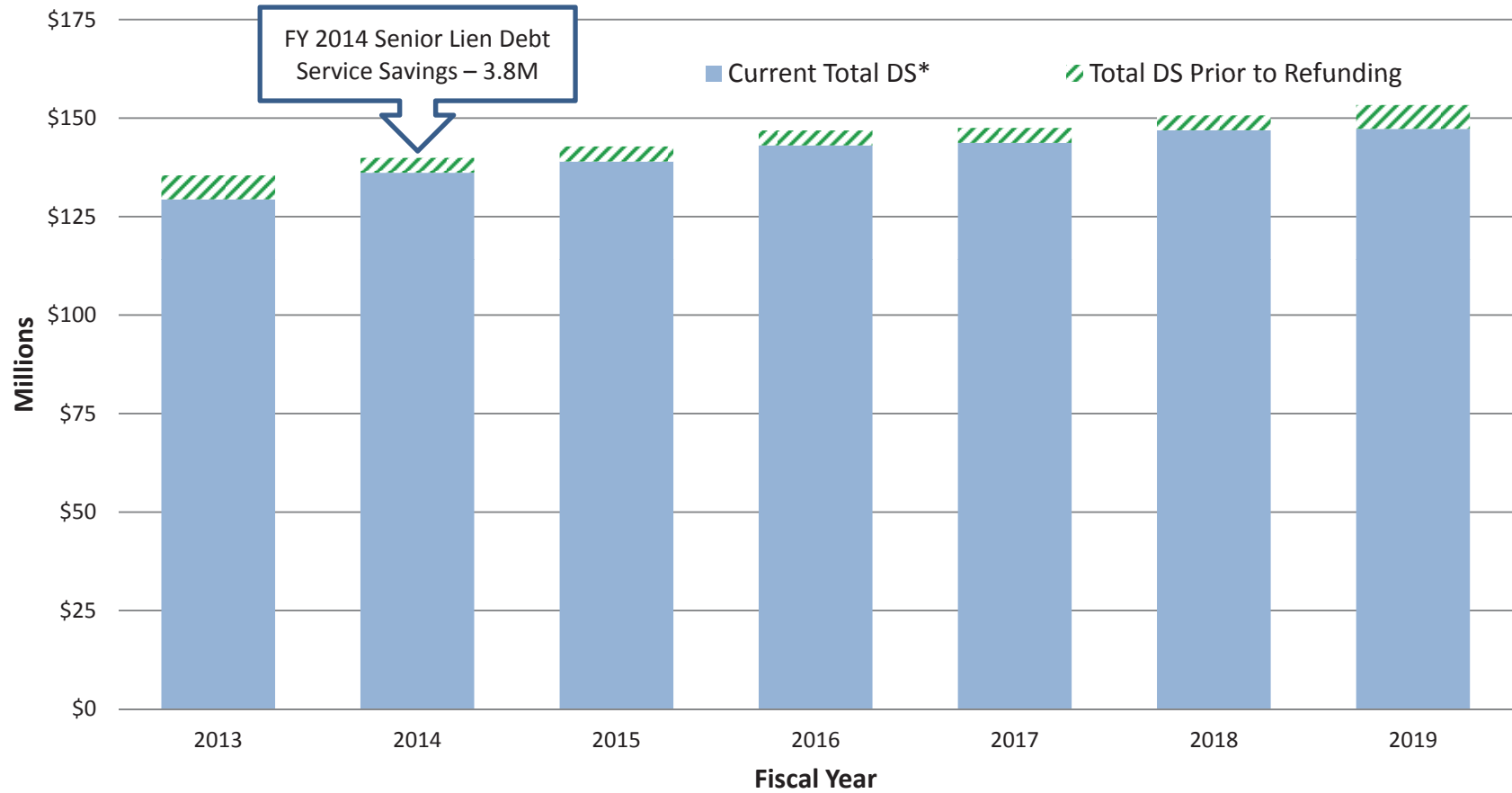
Proposed All-in Untreated Water Rate



Proposed All-in Treated Water Rate



Prudent Debt Management*

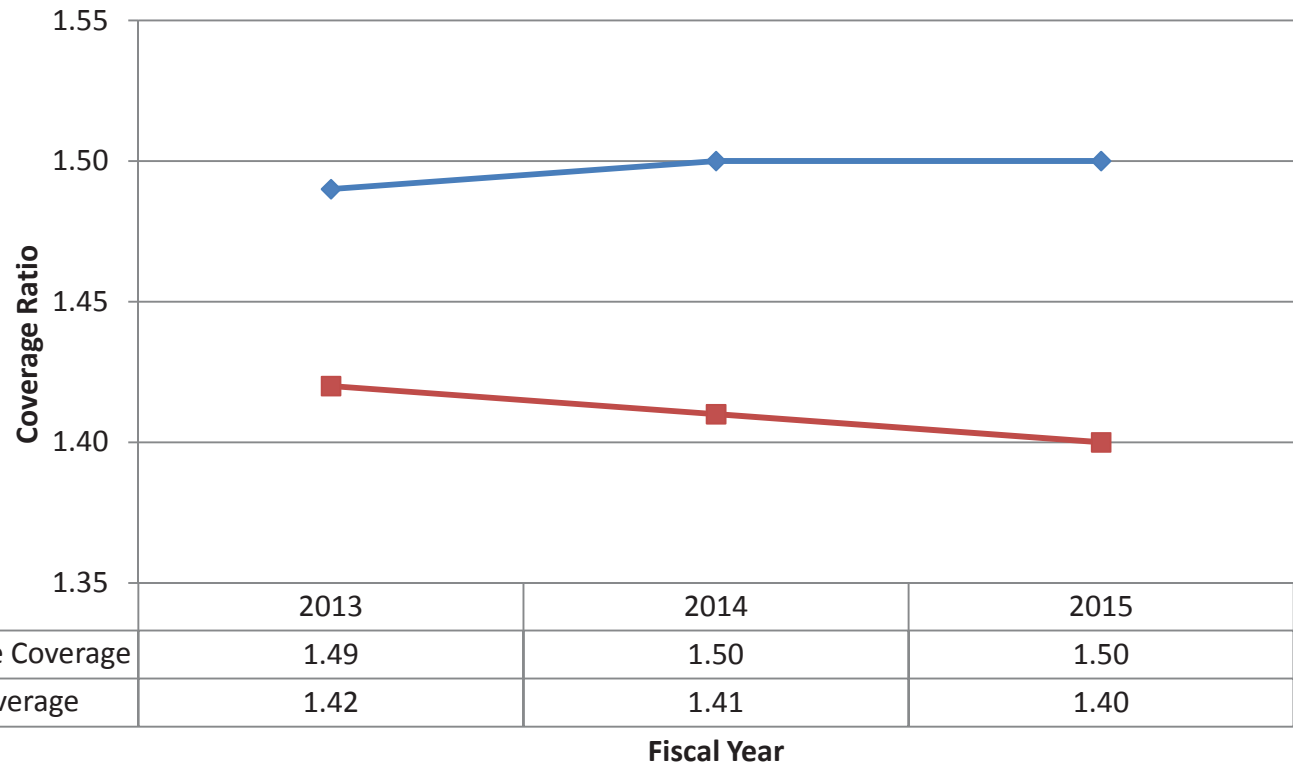


- Debt Service savings of \$6.1 million in FY 2013



*Excludes CP program fees and trustee services

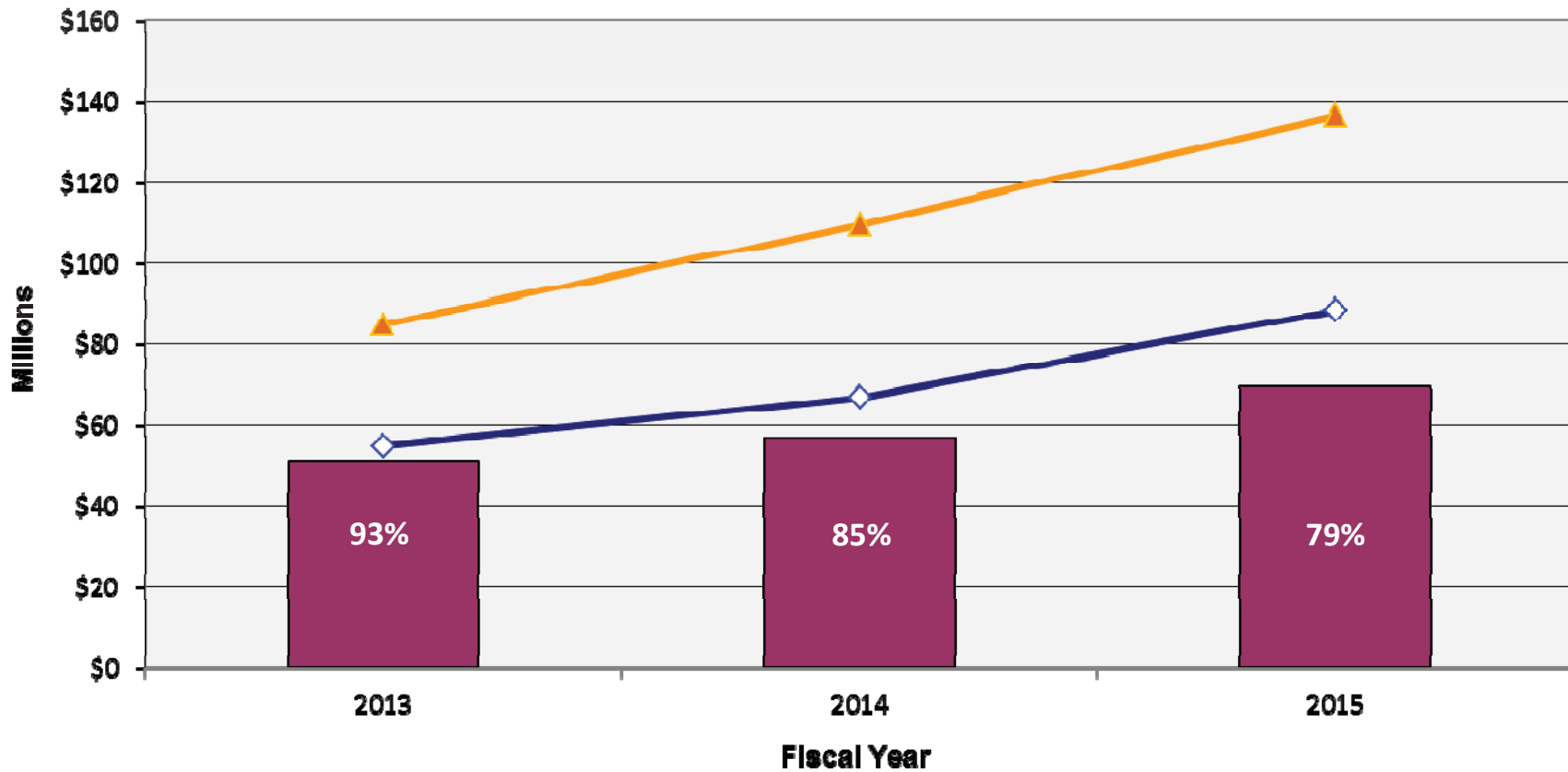
Financial Performance Metrics – Debt Service Coverage Ratios



- Achieves the Board’s policy target of 1.50x in FY 2014

Financial Performance Metrics

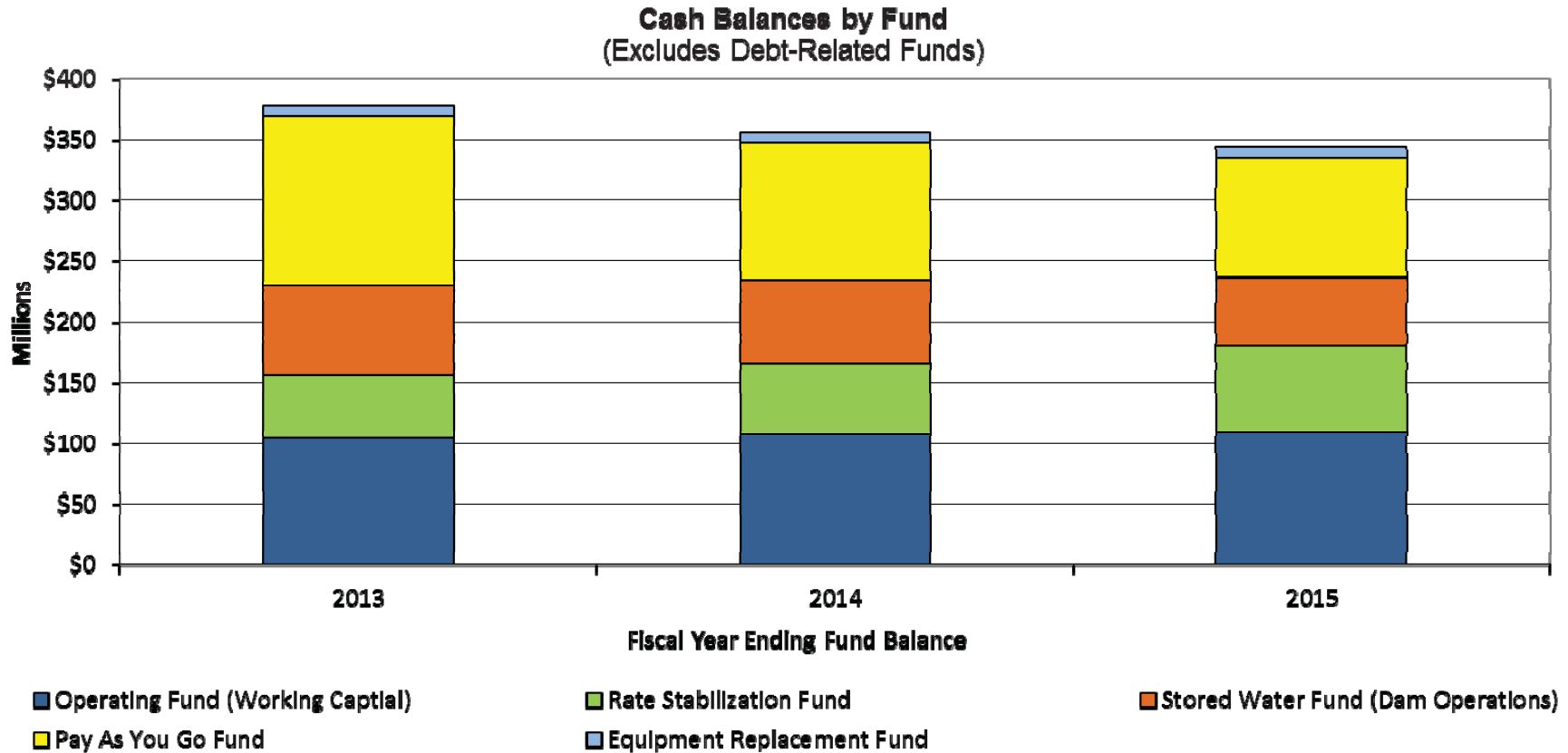
Current Board Policy - RSF Fund Balance Requirements



■ Rate Stabilization Fund ◆ RSF Target Ending Balance ▲ RSF Maximum Allowable Ending Balance

- Target level not achieved during projection period

Financial Performance Metrics



- Significant withdrawals from the PAYGO fund are projected
- Stable to slightly increasing balances in Operating and Rate Stabilization Funds are projected

Impact of CY 2014 Rate Increase on Composite Monthly Residential Bill

- 5 Retail Agency Average Composite Cost (CY 2013)
 - Fixed Charge: \$19.88 monthly
 - Commodity Charge: \$52.58
 - Composite Monthly Residential Bill: \$72.46

Wholesale Charges	Proposed Rates Monthly Retail Cost	Percent Retail Impact
Untreated	\$0.90	1.2%
Treated	\$1.52	2.1%

Actual rate impact will vary by member agency

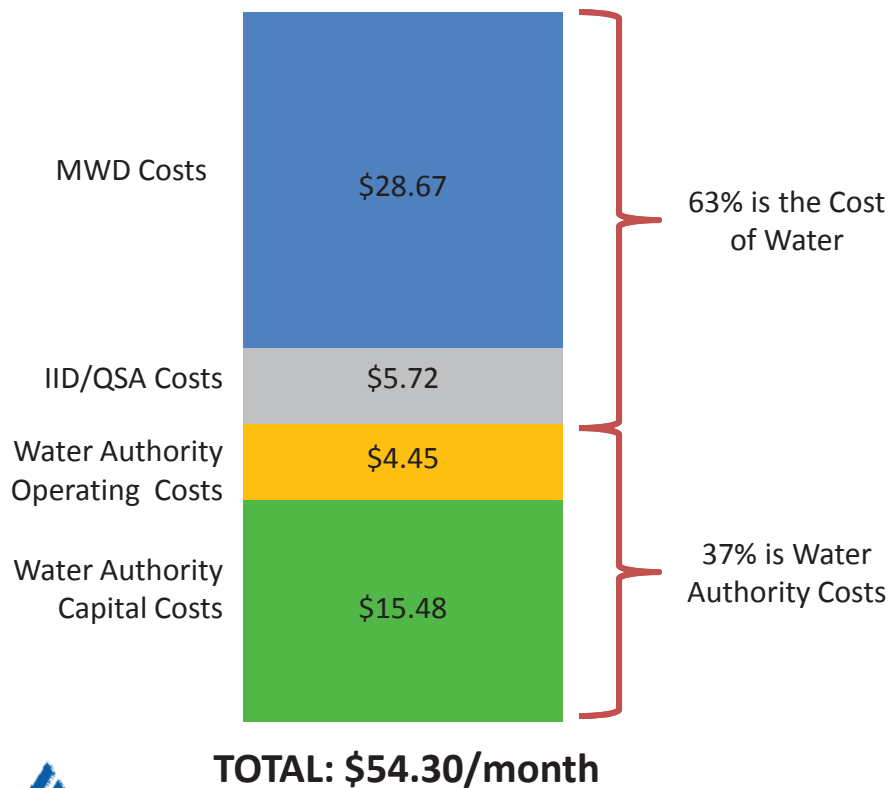
Notes:

1. Analysis based on retail rates for the City of Carlsbad, Helix Water District, the City of San Diego, Sweetwater Authority, and Otay Water District.
2. Tier 1 and Tier 2 pricing blocks vary by member agency.
3. Historic water demand used to calculate member agency specific weighting factors.
4. Individual member agency commodity charge calculated using its average single family residential water use (hcf).
5. Composite commodity charge is the sum of the individual member agency's commodity charge times its weighting factor.



Wholesale Monthly Cost of Water to Households

Estimated CY 2014
Wholesale Costs per Household*



- Cost of water purchases is 63% of the wholesale cost of water
- The remaining 37% or \$19.93/month is for the Water Authority to:
 - Deliver water and maintain the system
 - Rapidly diversify the region's water supplies
 - Provide in-region emergency water storage
 - Develop in-region water storage capacity

*Based upon 0.5 AF of consumption a year

Summary

- Key rate and charge drivers
 - 17% increase in MWD treatment costs
 - Scheduled IID water price increase
 - Achieving Board financial policies
- Rate and charge volatility mitigation
 - Very successful debt management
 - Improving sales environment and continued cost control measures
- Increase in overall water rates & charges of:
 - 3.5% treated & 2.6% untreated
- Overall rate and charge increase will vary by member agency depending upon the fixed charge allocations

Rate and Charge Calendar

- May
 - Release Carollo’s Phase I COS Report
 - May 14 – Preview of findings presented to member agency general managers
 - May 15 – Available to public
 - Set the time and place for the public hearing
 - May 23th – A&F Committee
- June Board Meeting
 - Hold public hearing on rates and charges
 - Adopt CY 2014 rates and charges and FY 2014 & 2015 Budget

Today's Action

- Adopt Resolution Number 2013-__ setting the time and place for a public hearing on June 27, 2013, at 1:00 p.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2014.

Questions