

# Agenda Report

Date: June 11, 2001

**To:** City Council  
**Through:** Deregulation Committee  
**From:** City Manager  
**Subject:** Opposition to State Senate Bill 1029

## Recommendation

It is recommended that the City Council support Metropolitan Water District's (MWD) opposition to State Senate Bill 1029 as introduced by State Senator Don Perata of East Bay District 9.

## Background

Senate Bill 1029 is being sponsored by Western Water Company, a water resource company in the wholesale, non-regulated water market in the western United States. Unlike other companies in the water industry that concentrate on service contracts and regulated utility operations, Western Water seeks to own the water resources needed by local water systems.

Senate Bill 1029 amends existing law authorizing third party wheelers, such as Western Water Company, the right to utilize unused capacity in conveyance facilities, treatment facilities, and storage facilities. By explicitly including treatment and storage facilities, the bill extends the obligations of facility owners to provide access to wheelers.

While such language is not objectionable, the problem lies in how 'fair compensation' is determined. MWD has invested heavily in its infrastructure to accommodate growth within its territory, for which San Diego County accounts for the majority of the growth. If the total capital costs are not taken into account when calculating the fair compensation, Pasadena, as a member agency of MWD, will have to pay higher water rates.

Additionally, the bill limits the costs that can be recovered by a facility owner to a proportionate share of facilities used (point-to-point) and introduces the concept of a transfer tariff. The bill, as amended, would result in point-to-point wheeling rates. Point-

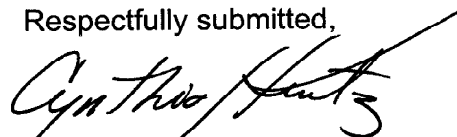
to-point wheeling costs are incremental wheeling costs only on that portion of the facilities used on the state project for any member agency of the Metropolitan Water District or any other state contractor who enters into a contract for the conveyance, treatment, and/or storage of water with the serving SWP contract agency. The transfer tariff is a mechanism to limit the recovery of revenues due to "lost sales".

The bill also shifts the authority to determine fair compensation from the facility owner's governing body (with judicial review) to the State Water Resources Control Board (as a final arbiter), thus, usurping local control. It is for these reasons that Pasadena should oppose Senate Bill 1029.

### **Fiscal Impact**

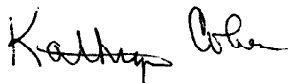
If State Senate Bill 1029 passes, Pasadena may be required to pay higher rates for water purchased from the Metropolitan Water District.

Respectfully submitted,



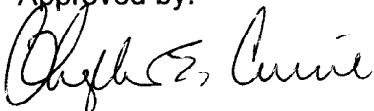
Cynthia J. Kurtz  
City Manager

Prepared by:



Kathryn Cohen  
Management Analyst IV  
Water and Power Department

Approved by:



Phyllis E. Currie  
General Manager  
Water and Power Department