



San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

September 9, 2011

Jack Foley, Chairman
Metropolitan Water District of Southern California
PO Box 54153
Los Angeles, CA 90054-0153

MEMBER AGENCIES

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Municipal Water District

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Olivenhain
Municipal Water District

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Municipal Water District

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Municipal Water District

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South Bay Irrigation District

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Valley Center
Municipal Water District

Vista Irrigation District

Yuima
Municipal Water District

OTHER REPRESENTATIVE

County of San Diego

Re: Board Memo 8-3 –
Adjustments to Metropolitan’s Water Supply Allocation Plan Formula
REQUEST TO DEFER ACTION PENDING BOARD WORKSHOP

Dear Chairman Foley and Board Members:

We write to request that the board defer taking action on adjustments to the Water Supply Allocation Plan formula as proposed in Board Memo 8-3. Instead, for the reasons described below, we request that the Chairman schedule a workshop to review board policies relating to the Water Surplus and Drought Management Plan (WSDM Plan) and Water Supply Allocation Plan (Water Supply Allocation Plan or Plan).

The Water Supply Allocation Plan was first adopted by the board in February 2008 in response to water supply challenges facing MWD and its service area during 2007, which were then described as raising – for the first time – the possibility that MWD might not have access to the water supplies necessary to meet total firm demands. The 2008 staff recommendation for the Water Supply Allocation Plan states that it was based on board principles that provided policy direction, contained in the Water Surplus and Drought Management Plan (WSDM Plan) adopted by the board in 1999. *Thus, it has been more than 10 years since the board of directors considered the policies upon which MWD’s Water Supply Allocation Plan is based.* The WSDM Plan itself states that it was intended to be a 10-year plan. The WSDM Plan should have been scheduled for board review in 2009.

The board’s “Guiding Principle,” “Supporting Principles” and “Implementation Goals” which are the policy basis of the WSDM plan are not mentioned in Board Memo 8-3. They are included as Attachment 1 to this letter for ease of reference. The board should review and refine these principles and policies in light of the substantially changed conditions that now exist, including, but not limited to mandatory 20% retail water conservation, MWD’s declining sales and a water rate environment in which conservation and local water supply alternatives have become cost-effective.

There are significant policy issues associated with how MWD allocates water during times of shortage. For example, does a “need”-based approach that does not require member agencies to achieve statutory retail conservation targets send the right message (and is it even consistent

A public agency providing a safe and reliable water supply to the San Diego region

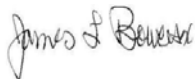
with state law)? There are many who believe that a “need”-based approach actually inhibits, rather than supports sound water supply management because it appears to punish rather than reward those who make local investments to improve water supply reliability. Many retail water suppliers simply want to know how much water they can count on receiving from MWD’s imported water sources during times of shortage so that they may plan these local investments more efficiently. Encouraging such investment at the local level would also reduce the water supply investments MWD would be required to make and thus lower wholesale water rates. There is also a question whether the Water Supply Allocation Plan is enforceable in the absence of a declared water supply emergency in the event preferential rights are asserted by one or more member agencies.

As noted above, the current methodology was developed in response to conditions that were then viewed as extraordinary. But what was then “extraordinary” has become today’s water supply planning reality. Supplies will continue to be constrained for the foreseeable future and water rates will continue to escalate. Although the Water Authority supported the need-based approach over the past few years with the understanding that it was a *transitional plan* to allow retail agencies to responsibly plan for the future, the MWD board must now consider the long-term policy implications of the Water Supply Allocation Plan in light of what we now know are water supply planning realities.

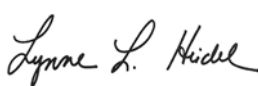
Although the Board Memo describes 12 meetings with the member agency managers, this is the first time the Board will have to consider the policy issues contained in the WSDM and WSAP plans. While it is certainly appropriate for staff to consult with the member agency managers as part of its due diligence in making recommendations to the board – and we do appreciate their hard work in updating the technical details of the formula – the member agency managers’ review process is no substitute for the board’s consideration and deliberation of the many policy issues associated with MWD water shortage allocations

We urge the board to defer staff’s recommendations, and instead, direct staff to schedule a board workshop to discuss issues related to the WSDM and Water Supply Allocation plans. We would welcome the opportunity to work with you and the rest of the board in preparing an agenda of issues for the board’s deliberation.

Sincerely,



Jim Bowersox
Director



Lynne Heidel
Director



Keith Lewinger
Director



Fern Steiner
Director

cc: MWD Board of Directors
SDCWA Board of Directors

Attachment 1: “Guiding Principle,” “Supporting Principles” and “Implementation Goals” (1999 WSDM Plan)

WSDM PRINCIPLES AND IMPLEMENTATION GOALS

The central effort in developing the WSDM Plan was a participatory process involving Metropolitan and its member agencies. Metropolitan staff and member agency representatives coordinated the Plan's development during a series of meetings of the Rate Refinement Team and the Integrated Resources Planning Workgroup. To lay a foundation for the WSDM Plan, participants in the Rate Refinement Process developed a set of "WSDM Principles and Implementation Goals."

Guiding Principle

- Metropolitan will encourage storage of water during periods of surplus and work jointly with its Member Agencies to minimize the impacts of water shortages on the region's retail consumers and economy during periods of shortage.

Supporting Principles

- Maintain an ongoing coordinated effort among Metropolitan and its Member Agencies to encourage efficient water use and cost-effective local resource programs and to inform the public on water supply and reliability issues.
- Encourage local and regional storage during periods of surplus and use of storage during periods of shortage.
- Manage and operate Metropolitan's regional storage and delivery system in coordination with local facilities to capture and store surplus water in local groundwater and surface reservoirs.
- Arrange for secure sources of additional water from outside the region for use during periods of shortage.
- Call upon sources of additional water from outside the region and water stored locally to meet the needs of consumers and protect the economy during periods of shortage.

WSDM Plan Implementation Goals

- Avoid mandatory import water allocations to the extent practicable.
- Equitably allocate imported water on the basis of agencies' needs.

Considerations to create an equitable allocation of imported water may include:

- Impact on retail consumers and economy
- Reclamation/Recycling
- Conservation
- Population and economic growth
- Investment in local resources
- Change and/or loss of local supply

- Participation in Metropolitan's Non-firm (interruptible) programs
 - Investment in Metropolitan's facilities.
- Encourage storage of surplus supplies to mitigate shortages and improve water quality.