



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

*Office of the General Manager*

March 9, 2012

Director Lynne Heidel  
Director Keith Lewinger  
Director Fern Steiner  
Director Doug Wilson  
San Diego County Water Authority  
4766 Overland Avenue  
San Diego, CA 92123

Dear Directors:

Chairman Foley has asked me to respond to your letter dated March 5, 2012 regarding "Comments on Proposed Rates and Charges" that recognizes Metropolitan's traditional rate setting process, as outlined in the Administrative Code. Board Letter 8-1 began the process in January by presenting the proposed budget, revenue requirements (with cost of service analysis), and recommended water rates, and on January 9, 2012, the Finance and Insurance Committee set a public hearing on the proposed water rates and charges for its March 2012 meeting.

Notice of the public hearing was duly published, twice within the ten days prior to the hearing, and on Monday interested parties will have the opportunity to present their views regarding the proposed water rates to the Finance and Insurance Committee. This formally-noticed public hearing is in addition to the discussions on budget and rates at the Finance and Insurance Committee meeting in January, Board workshops on January 23 and February 13, and the February 28 Executive Committee meeting, and departmental budget presentations at each board committee during February. During these open and public discussions, directors suggested cost reductions, which were analyzed by staff and included in alternative rate recommendations. Another option with higher rate increases was presented and discussed. Board letter 8-4 for the March meetings gives three rate options, with different revenue requirements and supporting cost of service studies, for the Board to consider.

At the February Finance and Insurance Committee, Board, and Executive Committee meetings, directors discussed the potential for board action on rates at the March meeting. As the General Manager stated on February 14 and February 28, we will be prepared for further discussion and adoption of rates at the March board meeting, following board members' consideration of comments received at the public hearing on Monday. We also will be prepared, if requested by

SDCWA Directors

March 9, 2012

Page 2

the Board, to analyze additional options for board consideration in April. To preserve the Board's option to act at the March meetings, Board letter 8-4 and the March agendas for the Board and Finance and Insurance Committee meeting include approval of the biennial budget and adoption of rates and charges as action items. This gives notice to member agencies and the public, pursuant to Brown Act requirements, of the potential for this action. The Board also may defer consideration of budget and rates to April.

Last month the Board discussed pros and cons of rate adoption in March and April. Since 2002, the Board has approved rates in March six times (in 2002, 2003, 2004, 2005, 2006, and 2008) and in April three times (in 2007, 2009, and 2010). The Board amended the Administrative Code in February 2010 to provide for rate adoption in April, to more closely align the rate decision with any decision on the water supply allocation for the coming fiscal year. There is no need for a water supply allocation this April. And, the Board has the discretion to advance the rate-setting decision or to defer it to a later month in any year, as it has in the past, without formally amending the Administrative Code.

We trust that you have received our written response dated March 5, 2012, to your written questions, and anticipate a full discussion at board and committee meetings next week.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Breaux", with a stylized, cursive script.

Gary Breaux  
Assistant General Manager/Chief Financial Officer