



# San Diego County Water Authority

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June 11, 2012

John V. Foley, Chairman  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

**MEMBER AGENCIES**

- Carlsbad  
Municipal Water District
- City of Del Mar
- City of Escondido
- City of National City
- City of Oceanside
- City of Poway
- City of San Diego
- Fallbrook  
Public Utility District
- Helix Water District
- Lakeside Water District
- Olivenhain  
Municipal Water District
- Otay Water District
- Padre Dam  
Municipal Water District
- Camp Pendleton  
Marine Corps Base
- Rainbow  
Municipal Water District
- Ramona  
Municipal Water District
- Rincon del Diablo  
Municipal Water District
- San Dieguito Water District
- Santa Fe Irrigation District
- South Bay Irrigation District
- Vallecitos Water District
- Valley Center  
Municipal Water District
- Vista Irrigation District
- Yuima  
Municipal Water District

**Re: Board Item 8-3 -OPPOSE**

Authorize entering into a Local Resources Program agreement with Municipal Water District of Orange County and the city of San Clemente for the San Clemente Recycled Water System Expansion Project. (WP&S )

Mr. Foley and Members of the Board,

The Water Authority OPPOSES Board Item 8-3 on the following grounds:

Under California law including Proposition 26, MWD is required to set water rates that do not exceed the reasonable costs of providing the particular service for which the rate is charged, and that are equitable, fair and non-discriminatory. MWD has failed to present in Board Memo 8-3, by reference to its outdated Integrated Resources Plan (IRP), even more outdated 2007 LRP “target” or otherwise, any showing that MWD’s payments for this local water supply project will benefit any ratepayers other than those of the city of San Clemente, which will own the water supply. There is no demonstration that any water supply or transportation costs are avoided by MWD as a result of these payments. The bald assertion in Board Memo 8-3 that, “*the project would strengthen regional water supply reliability*” is insufficient to meet the requirements of California law.<sup>i</sup>

Far from benefitting ratepayers of other member agencies, MWD’s continued payment of these subsidies under current circumstances *harms* all other MWD water ratepayers by further reducing demand for MWD water, thereby reducing MWD’s own revenues and driving up the cost of its water purchased by customers of other MWD member agencies. Moreover, MWD staff’s continued recommendations to approve subsidy agreements is inconsistent with its own actions months ago to suspend its “Local Resource Development Strategy Task Force” in order to reexamine the merits of the program and the water demand projections upon which it is based.

MWD’s expenditures have exceeded its revenues in three out of the past four years<sup>ii</sup> because water sales are down by more than 30% since the 2010 IRP was adopted, let alone the 2007 LRP “target” for local resources development. Rather than respond to these changed circumstances (consistent with the IRP’s articulated “adaptive management”), MWD is consciously choosing to rely on outdated water supply and financial planning that assume bloated water demands that do not exist and are not reasonably projected to exist in the foreseeable future.

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

Mr. Foley and Members of the Board


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In addition to these grounds, the Water Authority objects to being charged a "Water Stewardship Rate" (WSR) to pay for this project because its ratepayers have been barred by the MWD board's August 2010 action from receiving any WSR benefits. Accordingly, the WSR is discriminatory, violates California law and may not be collected from the Water Authority's customers.

As part of the lawsuit it has filed challenging MWD's 2013 and 2014 water rates, the Water Authority is seeking to be relieved of any financial responsibility for this and other WSR projects approved by the MWD board of directors, so that the agencies that do not object may pay for these projects. As stated previously, the Water Authority has no objection if other MWD member agencies want to "pool" their money, however, that activity must be voluntary and not part of the water rates imposed by MWD on the ratepayers of all of its member agencies.

Sincerely,



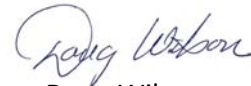
Lynne Heidel  
Director



Keith Lewinger  
Director



Fern Steiner  
Director



Doug Wilson  
Director

cc: Jeff Kightlinger, MWD General Manager  
San Diego County Water Authority Board of Directors and Member Agencies

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<sup>i</sup> Attachment 3 to Board Memo 8-3 states in a footnote that, "IRP studies show reduced long-term costs to the region when local resources are developed due to downsizing or deferral of Metropolitan's capital improvements, reduction in operating costs for importation, treatment and distribution, and reduction in costs for developing alternative regional supplies. These benefits are realized by all Metropolitan member agencies through improved regional water supply reliability." However, there is no evidence to support this broad claim, which is insufficient in any case to meet the requirements of California law including but not limited to Proposition 26.

<sup>ii</sup> See February 14, 2012 Board Letter 8-2, page 60, note 5.