



San Diego County Water Authority

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April 8, 2013

John (Jack) V. Foley and
Members of the Board of Directors
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90065-0153

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
- OTHER REPRESENTATIVE**
- County of San Diego

RE: Board Memo 8-1: Adopt resolutions imposing Readiness-to-Serve Charge and Capacity Charge effective January 1, 2014 – REQUEST TO TABLE OR IN THE ALTERNATIVE, OPPOSE

Dear Chairman Foley and Members of the Board:

We write to request that the board TABLE the proposed resolutions to increase Readiness-to-Serve and Capacity Charges to be effective January 1, 2014, and request that staff bring back alternative water rates and charges, including a reduction of the planned 5% water rate increase for Calendar Year (CY) 2014. In the alternative, should the board decline to take such action, we wish to be on record to OPPOSE increasing the Readiness-to-Serve Charge and Capacity Charge as described in Board Memo 8-1 and the associated resolutions, for the reasons stated in this letter.

The charges the board is being asked to increase were proposed and voted on based on budget and sales estimates that have proven to be materially at variance with actual costs and water sales. In fact, MWD over-collected revenues in Fiscal Year 2012 by almost \$100 million. And, it is projecting that it will add another \$178 million to its reserves by end of this fiscal year primarily as a result of over-collection in two of its supply categories: State Water Project and Demand Management Program. As a result of these over-collections, MWD’s reserves will exceed the board-established maximum levels by \$36 million this year.

To move ahead with increases in the Readiness-To-Serve and Capacity charges – when we know for a fact that MWD is collecting substantially more revenues than its budget or cost of service supports – is a disservice to the cities and ratepayers we serve, many of whom are struggling with their own budgets and to make ends meet. Cost of service requirements including but not limited to Proposition 26 require MWD to be more accountable than this to the agencies and ratepayers it serves.

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

Chairman Foley and Members of the Board

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MWD does not need a 5% water rate increase for CY 2014; it should reconsider the planned increase and instead produce a more reasonable estimation of its water sales, costs and required revenues, including increases if any for the Readiness-to-Service Charge and Capacity Charge. We also request that MWD return to the longstanding practice of adopting water rates and charges on an annual basis so that it may better plan to avoid the dramatic over- and under-collection of revenues such as it has experienced over the past several years.

Sincerely,



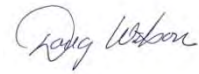
Keith Lewinger
Director



Vincent Mudd
Director



Fern Steiner
Director



Doug Wilson
Director

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