



San Diego County Water Authority

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August 20, 2012

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

MEMBER AGENCIES

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Municipal Water District

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**OTHER
REPRESENTATIVE**

County of San Diego

Re: Board Item 7-1 -**OPPOSE**
Authorize entering into a Local Resources Program agreement with Municipal Water District of Orange County and El Toro Water District for the El Toro Recycled Water System Expansion Project. (WP&S)

Mr. Foley and Members of the Board,

The Water Authority OPPOSES Board Item 7-1 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 MWD has failed to present in Board Memo 7-1, by reference to its outdated Integrated Resources Plan (IRP), even more outdated 2007 LRP “target” or otherwise, any showing that MWD’s payments for this local water supply project will benefit any ratepayers other than those of the El Toro Water District 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 assertion in Board Memo 7-1 that, “*the project would strengthen regional water supply reliability*” is insufficient to meet the requirements of California law.

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. 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 five out of the past eight years 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 choosing to rely on outdated water supply and financial planning that assume 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

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August 20, 2012

Page 2

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