



San Diego County Water Authority

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May 2, 2017

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

Dear Colleague:

First, we want to acknowledge the feedback we have received in response to our letters about fiscal and governance concerns at the Metropolitan Water District of Southern California (MWD), and how they are impacting our ratepayers. We appear to agree that these issues are important and worthy of consideration by all of us. We look forward to meeting with you and to expanding the dialogue throughout Southern California.

In our last letter of February 28, we wrote about the \$847 million in MWD overcharges, \$1.2 billion in unplanned spending, \$900 million in unplanned borrowing and water rates that have doubled over the last 10 years without a commensurate increase in water supply reliability. MWD has not disputed the accuracy of this data, which comes from its own records and board reports. This month, we are highlighting MWD's 2015 Urban Water Management Plan, specifically, how it overstates the future demand for MWD water and thus threatens to waste billions of Southern California ratepayer and taxpayer dollars.

Under California law, every urban water supplier of a certain size is required to prepare an Urban Water Management Plan (Water Plan) to demonstrate the reliability of supplies over a 20-year horizon, in normal and dry years. This law applies to MWD and each of its member agencies. Wholesale and retail agencies are required to communicate with each other, and are expected to coordinate planning to ensure the most efficient use of available supplies and ratepayer money. Unfortunately, MWD substantially disregards information provided by its member agencies in preparing its Water Plan. Please see the attachment for a comparison of MWD and member agencies' projections of demand for MWD water under average, single-dry-year and multiple-dry-year conditions. As you can see by the red line, MWD's projection of the demand for its water is materially greater than the demand projected by its member agencies (blue line) – those that buy MWD's water – by more than 300,000 acre-feet (AF) in average and multiple-dry years. Why the difference?

- MWD's Water Plan is largely based on its Integrated Resources Plan (IRP), which was updated in 2015 based on a technical report by staff, *without any board level review of planning assumptions or affordability*. Had such a review been conducted by the Board of Directors, we believe a number of flawed planning assumptions would have been identified and cost and affordability considerations taken into account.

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

- MWD arbitrarily chose to include in its projections only 20,000 AF of the more than 205,000 AF of local water supplies now being developed by its member agencies.¹ After listing them in an appendix, MWD turned a blind eye to these projects, even those identified as in "Full Design & Appropriated Funds" or "Advanced Planning (EIR/EIS Certified)." In contrast to the standards applied by most urban water suppliers, MWD only included in its Water Plan projections agency projects that already existed or were under construction at the time the plan was prepared. MWD's judgment is that the following cities and agencies *will all fail to implement local supply projects with projected online dates less than three years away, before 2020:*
 - Calleguas Municipal Water District
 - Central Basin Municipal Water District
 - City of Long Beach
 - City of Pasadena
 - City of Torrance
 - Eastern Municipal Water District
 - Foothill Municipal Water District
 - Inland Empire Utilities Agency
 - Upper San Gabriel Valley Municipal Water District
 - City of Los Angeles
 - San Diego County Water Authority
 - Western Municipal Water District
 - Municipal Water District of Orange County

There are several other flaws in the MWD planning process, too numerous to mention here; to read the full study on this issue and to learn more, go to www.MWDFacts.com/uwmp.

Fortunately, it's not too late to stop MWD from wasting more of our ratepayers' money. At the continued urging of some MWD Board members, MWD has scheduled an IRP Board Workshop on May 23, 2017. Ask your MWD board representative whether he or she has reviewed, and can attest that the planning assumptions used by MWD in its IRP and Water Plan are prudent. Also ask how those costs are going to be allocated among MWD's member agencies, including how the costs will be paid if they are stranded, like MWD's treatment plant capacity. You may be aware that MWD is in the process now of mothballing some of the treatment capacity it overbuilt based on similar planning assumptions that later proved inaccurate – and is struggling to figure out what's "fair" in trying to allocate these sunk, stranded costs, *ex post facto*, among MWD's member agencies.

If your city or water agency is one of many developing local water supply projects that MWD assumes will fail, you may wish to ask your MWD board representative why he or she agreed with MWD's planning assumption of failure by voting to approve the document.

¹ See page 4.6 of <http://www.mwdfacts.com/wp-content/uploads/MWD-2015-IRP.pdf> and page 77 of <http://www.mwdfacts.com/wp-content/uploads/MWD-2015-IRP-Appendix.pdf>

We are available to help in any way possible; working together, we can save our ratepayers billions of dollars over the next several years. We are also available to meet with you personally to discuss this and the other issues of concern we have with MWD. You can reach us at mmuir@sdcwa.org.

Sincerely,



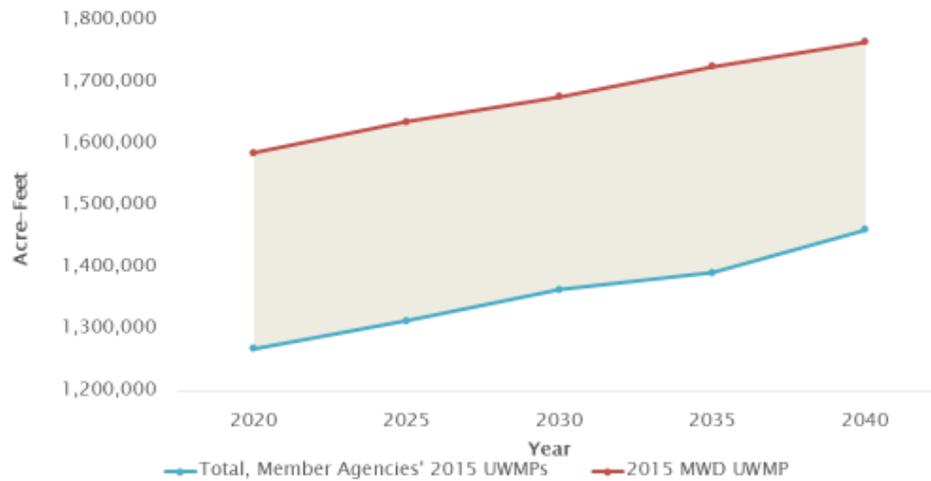
Mark Muir
Chair, Board of Directors
San Diego County Water Authority, and
City Councilmember, City of Encinitas



Jim Madaffer
Vice Chair, Board of Directors
San Diego County Water Authority,
Past President of the League of California
Cities, and Former City Councilmember,
City of San Diego

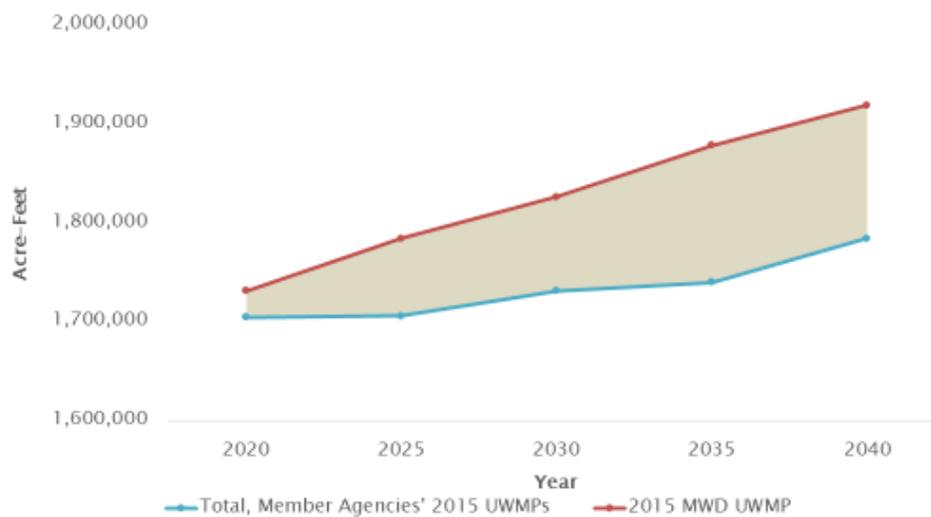
Attachment

MWD's Forecasted Demand for MWD Water Compared to Member Agencies' Projection (Average Year)



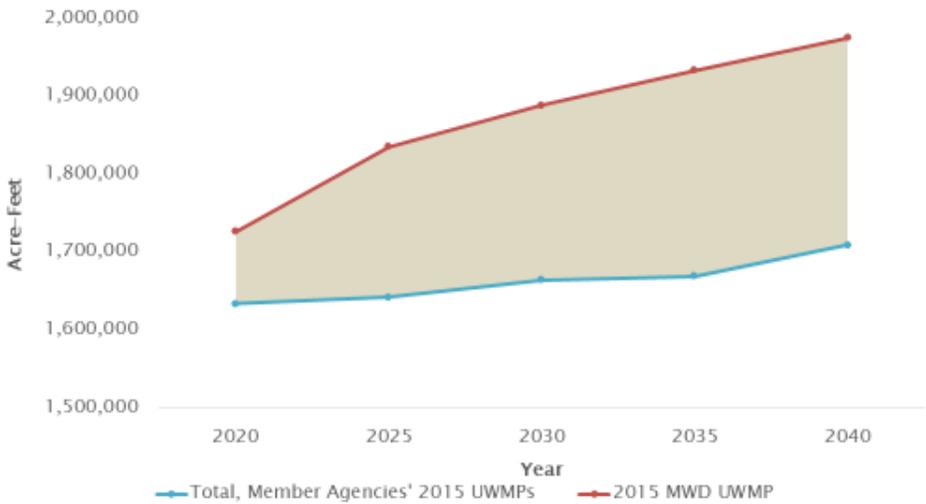
Data Source: MWD and its 26 Member Agencies

MWD's Forecasted Demand for MWD Water Compared to Member Agencies' Projection (Single Dry-Year)



Data Source: MWD and its 26 Member Agencies

MWD's Forecasted Demand for MWD Water Compared to Member Agencies' Projection (Multiple-Dry-Year)



Data Source: MWD and its 26 Member Agencies