



San Diego County Water Authority

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July 11, 2017

Marcia Scully, General Counsel
Metropolitan Water District
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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 8-2: Adopt CEQA determination and adopt Policy Principles guiding Metropolitan’s role in regional implementation of Integrated Water Resources Plan targets for local resources and conservation – **OPPOSE**;

NOTICE OF NON-LIABILITY AND DISCLAIMER OF FINANCIAL OR CONTRACT RESPONSIBILITY ASSOCIATED WITH BOARD MEMO 8-2; RESERVATION OF RIGHTS; AND NOTICE OF INTENT TO SEEK RECOVERY OF ILLEGAL RATES AND FURTHER AWARD OF PREJUDGMENT INTEREST

Dear Ms. Scully:

The Water Authority previously objected to and opposed both the MWD Board's review process and ultimate adoption of its Integrated Resources Plan 2015 Update ("2015 IRP"). The Water Authority hereby also objects to and opposes the "policy principles" contained in this month's Board Memo 8-2. The Water Authority has repeatedly raised questions about the 2015 IRP and the scope of MWD’s water supply planning, including why MWD is greatly expanding its role in local supply development and spending on water supplies at the same time its sales are declining.ⁱ

In addition to having improperly asserted over the past several years that MWD's wheeling of the Water Authority's independent Colorado River supplies represents a sale of MWD water,ⁱⁱ MWD's 2015 IRP also accounted for only 20,000 acre-feet of the more than 200,000 acre-feet of new local water supply projects that are in “full design and appropriated funds” and “advanced planning (EIR/EIS Certified)” stages by MWD member agencies.^{iii,iv} Recent rating agency reports recognize key facts MWD itself continues to refuse to acknowledge or prudently plan for, including its declining sales base and the fact MWD water is already a high cost water supply for Southern California.^v MWD's recent efforts to reinvent its mission through reinterpretation of its own Laguna Declaration will not change MWD's declining sales trend; rather, it appears calculated merely to shift the cost of some agencies' local

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supply development to others through the imposition of MWD rates. As to such rates, which of course increase due to MWD's expanded roles and expenditures, MWD is required to follow cost of service requirements of the common law, California statutes and the state constitution. The Water Authority reserves all of its rights and intends to seek full recovery of illegal rates and charges imposed by MWD, whether such impositions are made under "Policy Principles" or otherwise.

Sincerely,

/s/Mark Hattam

Mark Hattam
General Counsel

cc: MWD Board of Directors
Water Authority Board of Directors

ⁱ Copies of the Water Authority's letters on MWD's 2015 IRP dated January 10, and October 25, 2016 and its letter on MWD's 2015 Urban Water Management Plan dated May 8, 2016 are in the possession of MWD and are incorporated herein by reference.

ⁱⁱ Thus misrepresenting MWD sales by as much as 178,920 acre-feet in 2016.

ⁱⁱⁱ See Water Authority letter dated June 15, 2016: <http://www.mwdfacts.com/wp-content/uploads/2016/06/2016-06-15-WA-ltr-re-MWD-Appendix-A.pdf>

^{iv} Appendix 5:

[http://www.mwdh2o.com/PDF_About_Your_Water/2015%20IRP%20Update%20Tech%20App%20\(web\).pdf](http://www.mwdh2o.com/PDF_About_Your_Water/2015%20IRP%20Update%20Tech%20App%20(web).pdf)

^v See FitchRatings June 12, 2017: http://www.mwdfacts.com/wp-content/uploads/2017-06-12_MWD-Fitch-Report.pdf