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GENERAL MANAGER/CHIEF ENGINEER
Matthew H. Litchfield, P.E.

April 9, 2020

Metropolitan Water District of Southern California
Board of Directors

RE: Biennial Budget for FY 20/21 & FY 21/22; Water Rates & Charges for CY 2021 & CY 2022

Dear Chairwoman Gray and Members of the Board:

I am writing on behalf of Three Valleys Municipal Water District to state we appreciate MWD staff preparing two alternatives for the Board to consider regarding upcoming rates and charges.

We appreciate staff modifying the assumptions to recognize:

- A shift to more treated water as a result of PFAS and PFOA
- A reduction of CIP expenditures that likely can be completed given the impact of COVID-19 on scheduling of construction work

We also agree that increasing debt financing is an appropriate tool to use to reduce rates at this time given the impact COVID-19 will have on the economy.

Since the Water Stewardship Rate will not be collected for 2021 and 2022, the impact of possibly delaying rate increases until July 1, 2021, as described in Option 2, would create the following situation:

- | | | |
|----------------------------------|------------------------------|----------------------------|
| • January 1 st , 2021 | Untreated rate decreases 9% | Treated rate decreases 6% |
| • July 1 st , 2021 | Untreated rate increases 15% | Treated rate increases 11% |
| • January 1 st , 2022 | Untreated rate increases 4% | Treated rate increases 4% |

We don't view decreasing the rate for half the year just to have a drastic increase the other half of the year as something that would have significant impact. We feel it would be better to simply have one rate for 2021. We also wonder how this situation would affect MWD revenue assumptions, as it would incentivize agencies to wait until 2021 to purchase replenishment water they would normally purchase October - December 2020.

Based on these reasons, we would support Option 1. We appreciate your consideration of this recommendation. Please don't hesitate to contact me regarding any questions.

Sincerely,

Matthew H. Litchfield, P.E.
General Manager/Chief Engineer

David D. De Jesus
TVMWD MWD Representative

cc: Bob G. Kuhn, TVMWD Board President