



July 14, 2020

Gloria D. Gray, Chairwoman
Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, CA 90012-2944

RE: BOARD AGENDA ITEM 7-8

Dear Chairwoman Gray,

The East County Advanced Water Purification (ECAWP) Project is a regional water recycling effort between the three wastewater agencies that make up the Joint Powers Authority (JPA) and the Helix Water District as an ex-officio member. The Project will create almost 13,000 acre feet of new drought proof highly reliable local supply, will contribute to meeting the state mandate to reduce reliance on the Delta, and is consistent with Governor Newsom's Water Resiliency Portfolio.

The MWD Board's last minute consideration of adding new language to the standard LRP agreement will have immediate and serious consequences for the ECAWP Project. The ECAWP JPA strongly urges Metropolitan's Board to approve the LRP agreement under Item 7-8 **without** adding new language making Metropolitan's contractual commitment to LRP funding contingent on later action by the Board of Directors.

The ECAWP JPA agencies and the Helix Water District have invested tens of millions of dollars over the last five years to advance the Project. We have done so on the basis of and as encouraged by decisions made by the Metropolitan Board to approve targets for local supply development, and MWD staff efforts to assist in the development of our LRP application to encourage implementation of the Project. As your staff is aware, we are currently in the process of awarding almost \$400 million dollars for three design and construction packages that comprise the ECAWP Project.

The financing plan that assures ratepayer affordability for the ECAWP Project is a mix of LRP incentives, low interest loans and grants from the state and federal government and financing from the municipal bond market. To make such an extraordinary change to the standard LRP agreement while the JPA is in the process of making project critical financial decisions on implementation is inconceivable to us. The JPA cannot risk investing hundreds of millions of dollars with only a contingent commitment from Metropolitan for an important element of the ECAWP financing plan.

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Board of Directors
Gary Kendrick, City of El Cajon
Dianne Jacob, County of San Diego
August Caires, Padre Dam Municipal Water District
Joel Scalzitti, Helix Water District, Ex-officio Member

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We successfully competed to obtain \$200 million in low interest loans and grants from the State of California. We are contractually committed to meeting an operations date of early 2025 or our low interest loans and grant will be in jeopardy. Any delay in the implementation schedule threatens our ability to meet the State's schedule requirement. Metropolitan's contingent commitment will also affect our bond rating and result in higher cost municipal bond financing.

We hope we have communicated the devastating consequences of the contemplated action on an important local supply project that we believe runs counter to Metropolitan's proven track record and commitment to local supply development. Had we had more notice we might have been able to change course sooner but at this point, we fear that your action will deliver a fatal blow to our Project.

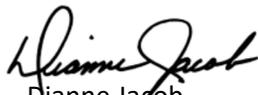
The ECAWP JPA strongly encourages the Metropolitan Board to reconsider the recommendation of the WP&S Committee to add new contingency language and instead, approve Item 7-8 without new language and maintain the current standard contract language evidencing Metropolitan's firm commitment to LRP funding for our Project.

Thank you for your consideration.

Respectfully,



Gary Kendrick
Chair



Dianne Jacob
Director



Augie Caires
Director



Joel Scalzitti
Ex Officio Director

cc. MWD Board of Directors
Jeff Kightlinger, General Manger, MWD