

November 8, 2020

MEMBER AGENCIES

Carlsbad
Municipal Water District

City of Del Mar

City of Escondido

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City of Oceanside

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City of San Diego

Fallbrook
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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

Gloria Gray, Chairwoman of the Board
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

RE: Board Memos 7-3 and 7-4
Regional Recycled Water Program/LACSD and SNWA Amendments

Dear Chair Gray and Board Members:

Due to the complexity of these two items and to avoid having to take time in Committee which may not be available, our delegation wanted to provide our colleagues with our high-level comments in advance of the board meeting.

Change from LRP to RRWP model. We strongly support recycled water programs in general, now being advanced by multiple parties as described in the Board Memo and past reports. The Water Authority's own service area has a comparable local project under development in the City of San Diego's PURE water project (though materially and institutionally less complex), for which the MWD Board has approved LRP funding. Under the LRP agreement, the cost to MWD for the resource to be developed is \$340/AF, with City of San Diego ratepayers making up the difference (leaving aside external sources of funding of course). The RRWP will not only cost MWD ratepayers or some subset thereof more than *five times as much*—currently estimated at \$1,800/AF—but will also require MWD to assume material risks for which it currently has no responsibility under the LRP model. MWD member agencies have strongly supported the LRP program historically and we are reluctant to make a shift to this new role for MWD without a great deal more analysis and consultation with the member agencies.

Benefit of further due diligence before environmental review. Although the staff report indicates that feasibility studies have been performed—and we recognize that many have been and are ongoing—it is also clear that many studies are ongoing and yet critical institutional arrangements remain less than preliminary. We think more of this work should be completed before launching environmental documentation, which staff itself notes may very well have to be changed based on the outcome of these studies. No timing advantage is gained if we have to start over when the results of further studies are available. The City of San Diego's PURE water project, by comparison, waited until results were obtained from its demonstration project before moving forward with environmental work.

We believe the Board would benefit and ask that staff provide a detailed outline of pending studies and the timeline within which they will be completed. We believe this

would allow for a more orderly process and sound basis for decision-making as well as allow us to avoid wasting money on environmental work that will have to be changed later.

One area in which we believe additional time would be well spent is with respect to the four groundwater basins which must be willing and able to take RRWP water in order for the program to work. Given the passage of time, we believe this should include development of a more meaningful term sheet demonstrating the terms and conditions under which the groundwater managers would be willing to recommend a commitment to take project water. This should include addressing any anticipated necessary judgment amendments.

Need for updated demand projections and IRP strategies. We strongly believe it is unwise as well as unnecessary to forge ahead now with long-term decision-making on the basis of ***the 2015 IRP supply gap, which we all know or suspect no longer exists.*** While we by no means think this precludes moving forward with advancement of recycled water in the region, it may mean that it should be done under a different model and set of IRP planning assumptions. The board needs requested IRP data both for policy review (when it starts) as well as to make scenario planning meaningful by establishing a baseline.

Need for a financing plan and relative benefits assessment. Staff committed to provide a financing plan in its 2015 memo, but it is still has not been provided. There are two overarching issues: 1) allocation of costs as between water (MWD) and wastewater (LACSD) and 2) allocation of costs at the MWD level, depending on how the benefits of the project are assessed.

As to the first issue, the cost of this proposal is greatly in excess of the LRP model and inconsistent with the Orange County model it originally said it would emulate, where sanitation pays 50% of the costs. The proposed amendment to the “term sheet” with LACSD caps LACSD’s share of environmental review costs at \$4.4 million, and requires MWD’s indemnification, without any analysis of respective benefits, including potential regulations that may limit wastewater discharge into the ocean. For these reasons, we believe it would not be prudent to enter into the amendment with LACSD at this time.

As to the second issue, the conclusion reached in last month’s board memo is simply that it is ***impossible*** to identify the relative potential respective benefits of the project at the MWD level. But there is nothing precluding the cost allocation discussion when the memo has already suggested supply, pipeline capacity, climate, resilience, seismic and flexibility as possible benefits.

We oppose potential exchange of Colorado River water with other states. We cannot support this element of the proposal without a great deal more information about how it would work, including what agreements would be required by other Colorado River parties. Director Glen Peterson asked an excellent question recently, namely, why are we spending money to help another state improve its reliability rather than looking first at how our investments and Colorado River assets might be used to improve reliability of our own member agencies and California?

To recap:

- We support continuing technical studies and public outreach on the RRWP.
- We support amending the agreement with NWRI.
- We do not support moving ahead now with environmental documents, given staff already have identified that the results of MBR studies will significantly impact the planning and design of the project.
- We do not support any agreement with other states to exchange Colorado River water without a great deal more information how the exchange program would work, likelihood of approval by other Colorado River parties and a demonstration how MWD member agencies and California's interests are first fully protected.
- We do not support amending the agreement with LACSD without a preliminary cost of service analysis addressing the allocation of costs between water and wastewater benefits. This should have been included in the financing plan which was never provided by staff.

We look forward to discussion next week.

Sincerely,



Michael T. Hogan for San Diego Delegation

cc: Directors Butkiewicz, Goldberg, Smith