

**MINUTES**  
**REGULAR MEETING OF THE**  
**BOARD OF DIRECTORS**  
**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**  
**January 12, 2021**

**52222** The Board of Directors of The Metropolitan Water District of Southern California met in Regular Meeting on Tuesday, January 12, 2021.

Chairwoman Gray called the Teleconference Meeting to order at 12:04 p.m.

**52223** The Meeting was opened with an invocation by Scott Reiersen, Team Manager, Water System Operations Group.

**52224** The Pledge of Allegiance to the Flag was given by Director S. Gail Goldberg, San Diego County Water Authority.

**52225** Before administering the Roll Call, Chairwoman Gray addressed the Board.

**52226** Board Secretary Abdo administered the roll call. Those responding present were: Directors Abdo, Ackerman, Apodaca, Atwater, Ballin, Blois, Butkiewicz, Camacho, Cordero, De Jesus, Dick, Faessel, Galleano, Goldberg, Gray, Hawkins, Hogan, Kassakhian, Kurtz, Lefevre, McCoy, Morris, Murray, Ortega, Petersen, Peterson, Pressman, Quiñonez, Ramos, Record, Repenning, Smith, Solorio, Tamaribuchi, Treviño, and Williams.

Those not responding were: Director Quinn

Board Secretary Abdo declared a quorum present.

**52227** Chairwoman Gray invited members of the public to address the Board on matters within the Board's jurisdiction.

No members of the public responded.

Chairwoman Gray addressed the following: Other Matters and Reports for December 2020.

**52228** Chairwoman Gray asked if there were any changes to the report of events attended by Directors at Metropolitan's expense during the month of December as previously posted and distributed to the Board.

No amendments were made.

**52229** Chairwoman Gray referred to her monthly report, which was previously posted and distributed to the Board. Chairwoman stated she had nothing to add to her report.

**52230** Regarding matters relating to Metropolitan's operations and activities, General Manager Kightlinger announced that the Board would be receiving a hard copy of Metropolitan's annual report for 2020 in the mail.

Additional information on the General Manager's activities may be found in his written monthly report.

**52231** General Counsel Scully provided the following updates:

1. Since the last Legal and Claims Committee meeting there have been two hearings on the rate litigation: 1) on prevailing party and 2) on requests for litigation costs. On both matters, the court issued tentative rulings in favor of San Diego County Water Authority. The court will issue decisions in the coming weeks and those decisions will be provided to the Board.
2. In the matter of the Imperial Irrigation District's (IID) litigation on Metropolitan's approval of the Drought Contingency Plan, the court issued a revised ruling that Metropolitan's categorical exemption was legally appropriate.

**52232** General Auditor Riss reported that his monthly report on Metropolitan's consulting and services contracts revealed that the contracts reviewed complied with policy and were reasonable.

**52233** Ethics Officer Salinas announced that the annual statement of economic interest form 700, is due before April 1, 2021.

**52234** Chairwoman Gray acknowledged Director Murray's 15 years of leadership and service to Metropolitan's Board of Directors and indicated that his 15-year Service Pin will be mailed.

**52235** Chairwoman Gray acknowledged Director Quiñonez's 15 years of leadership and service to Metropolitan's Board of Directors and indicated that his 15-year Service Pin will be mailed.

Directors Murray and Quiñonez addressed the Board with individual remarks.

**52236** Chairwoman Gray addressed the Consent Calendar Items for January 2021. Chairwoman Gray asked Directors if there were any comments or discussion on the Minutes of the Meeting for December 8, 2020 and the minutes of the special Board Meeting for December 15, 2020. No requests were made.

**52237** Chairwoman Gray announced regarding Agenda Item 6B Committee Assignments that Section 2202 of the Administrative Code provides that the Vice Chairs of the Board serve at the pleasure of the Chair, and therefore, removed Director Butkiewicz as a Vice Chair. This does not require Board approval.

**52238** Chairwoman Gray asked Directors if there were any comments or discussion on the approval of the recommendation for a commendatory resolution for Director Larry McKenney. No requests were made.

**52239** Chairwoman Gray conducted the nomination and election of nonofficer members of the Executive Committee for the two-year term effective February 9, 2021 as set forth in agenda item 6D. Directors Pressman and Treviño were eligible for re-election, they announced they were candidates and Director Hogan notified the Board Executive Secretary that he is a candidate.

Directors commented as follows:

	Directors	Comments/Questions
1.	Murray	Comments
2.	Treviño	Comments
3.	Ortega	Recommended making no changes to committee leadership until new committee assignments including removal of Butkiewicz as Vice Chair
4.	Hogan	Made comments as candidate for nonofficer member of the Executive committee.
5.	Pressman	Made comments as candidate for nonofficer member of the Executive committee.
6.	Treviño	Made comments as candidate for nonofficer member of the Executive committee.
7.	Gray	Called for the vote

The following are the records of the votes:

Record of Vote on Item:		6D, Exec Committee Seat 1							
Member Agency	Total Votes	Director	Present	Hogan	Hogan Vote	Pressman	Pressman Vote	Treviño	Treviño Vote
Anaheim	5083	Faessel	x			x	5083		
Beverly Hills	3896	Pressman	x			x	3896		
Burbank	2614	Ramos	x					x	2614
Calleguas Municipal Water District	11162	Blois	x			x	11162		
Central Basin Municipal Water District	16384	Apodaca	x					x	8192
		Hawkins	x					x	8192
			Subtotal:						16384
Compton	532	McCoy	x			x	532		
Eastern Municipal Water District	8936	Record	x			x	8936		
Foothill Municipal Water District	2052	Atwater	x			x	2052		
Fullerton	2238	Ortega	x					x	2238
Glendale	3517	Kassakhian	x					x	3517
Inland Empire Utilities Agency	12645	Camacho	x					x	12645
Las Virgenes	2649	Peterson	x			x	2649		
Long Beach	5598	Cordero	x					x	5598
Los Angeles	67972	Murray	x					x	16993
		Petersen	x					x	16993
		Quinn							
		Quiñonez	x					x	16993
		Repenning	x					x	16993
			Subtotal:						67972
Municipal Water Dist. of Orange County	55013	Ackerman	x			x	18338		
		Tamaribuchi	x			x	18338		
		Dick	x			x	18338		
		Vacant							
			Subtotal:				55013		
Pasadena	3395	Kurtz	x			x	3395		
San Diego County Water Authority	56310	Butkiewicz	x					x	14078
		Goldberg	x					x	14078
		Hogan	x					x	14078
		Smith	x					x	14078
			Subtotal:						56310
San Fernando	216	Ballin	x					x	216
San Marino	711	Morris	x			x	711		
Santa Ana	2889	Solorio	x					x	2889
Santa Monica	4199	Abdo	x					x	4199
Three Valleys Municipal Water District	7535	De Jesus	x			x	7535		
Torrance	3136	Lefevre	x			x	3136		
Upper San Gabriel Valley Mun. Wat.	11544	Treviño	x					x	11544
West Basin Municipal Water District	22776	Williams	x			x	11388		
		Gray	x			x	11388		
			Subtotal:				22776		
Western Municipal Water District	11824	Galleano	x			x	11824		
<b>Total</b>	<b>324826</b>						<b>138700</b>		<b>186126</b>
<b>Present and not voting</b>									
<b>Absent</b>	<b>0</b>								

Director Treviño was elected as a nonofficer member of the Executive Committee Seat 1 by a vote of 0 Hogan; 138,700 Pressman; 186,126 Treviño; 0 abstain, 0 not voting; and 0 absent.

Record of Vote on Item:		6D, Exec Committee Seat 2					
Member Agency	Total Votes	Director	Present	Hogan	Hogan Vote	Pressman	Pressman Vote
Anaheim	5083	Faessel	x			x	5083
Beverly Hills	3896	Pressman	x			x	3896
Burbank	2614	Ramos	x			x	2614
Calleguas Municipal Water District	11162	Blois	x			x	11162
Central Basin Municipal Water District	16384	Apodaca	x	x	8192		
		Hawkins	x			x	8192
			Subtotal:		8192		8192
Compton	532	McCoy	x			x	532
Eastern Municipal Water District	8936	Record	x			x	8936
Foothill Municipal Water District	2052	Atwater	x			x	2052
Fullerton	2238	Ortega	x	x	2238		
Glendale	3517	Kassakhian	x	x	3517		
Inland Empire Utilities Agency	12645	Camacho	x	x	12645		
Las Virgenes	2649	Peterson	x			x	2649
Long Beach	5598	Cordero	x			x	5598
Los Angeles	67972	Murray	x	x	16993		
		Petersen	x	x	16993		
		Quinn					
		Quiñonez	x	x	16993		
		Repenning	x	x	16993		
			Subtotal:		67972		
Municipal Water Dist. of Orange Count	55013	Ackerman	x			x	18338
		Tamaribuchi	x			x	18338
		Dick	x			x	18338
		Vacant					
			Subtotal:				55013
Pasadena	3395	Kurtz	x			x	3395
San Diego County Water Authority	56310	Butkiewicz	x	x	14078		
		Goldberg	x	x	14078		
		Hogan	x	x	14078		
		Smith	x	x	14078		
			Subtotal:		56310		
San Fernando	216	Ballin	x	x	216		
San Marino	711	Morris	x			x	711
Santa Ana	2889	Solorio	x	x	2889		
Santa Monica	4199	Abdo	x	x	4199		
Three Valleys Municipal Water District	7535	De Jesus	x			x	7535
Torrance	3136	Lefevre	x			x	3136
Upper San Gabriel Valley Mun. Wat. Di	11544	Treviño	x	x	11544		
West Basin Municipal Water District	22776	Williams	x			x	11388
		Gray	x			x	11388
			Subtotal:				22776
Western Municipal Water District	11824	Galleano	x			x	11824
<b>Total</b>	<b>324826</b>				<b>169722</b>		<b>155104</b>
<b>Present and not voting</b>							
<b>Absent</b>	<b>0</b>						

Director Hogan was elected as nonofficer member of the Executive Committee Seat 2 by a vote of 169,722 ayes; 155,104 votes for Director Pressman; 0 abstain; 0 not voting; and 0 absent.

Chairwoman Gray called on the Committee Chairs to give a report of the Consent Calendar Action Items as discussed at their Committees.

Chairwoman Gray called for a vote to approve the Consent Calendar Items. 6A, 6C, 7-1, 7-2, 7-3, 7-4 and 7-5 (**M.I. No. 52240 through 52247**).

The following Directors asked questions or made comments:

	Directors/Staff	Comments/Questions
1.	Ortega	Asked a question regarding item 7-4.
2.	Smith	Asked a question regarding item 7-4.
3.	Murray	Responded
4.	Pitman	Responded
5.	Petersen	Commented
6.	Murray	Commented
7.	Pitman	Responded

Director Ortega moved, seconded by Director Murray that the Board approve the Consent Calendar Other Items for Action 52140 through 52147 as follows:

**52240** Approval of the Minutes of the meeting for December 8, 2020 and the minutes of the special Board Meeting for December 15, 2020.

**52241** There were no Committee assignments

**52242** Approval of the commendatory resolution for Director Larry McKinney representing the Municipal Water District of Orange County.

**52243** Approve and authorize the distribution of Appendix A for use in the issuance and remarketing of Metropolitan's Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA, as set forth in Agenda Item 7-1 board letter. On January 10, 2021 (7:18 p.m.), San Diego County Water Authority submitted a letter commenting on Agenda Item 7-1. Metropolitan's Chief Finance Officer replied to the Authority's letter on January 12, 2021 (11:54 a.m.).

**52244** Adopt Mitigated Negative Declaration for the Colorado River Aqueduct Conduit Structural Protection Project and take related CEQA actions, as set forth in Agenda Item 7-2 board letter.

**52245** Award \$448,900 contract to MCL Constructors, Inc. to make improvements to the Lake Mathews Disaster Recovery Facility as set forth in Agenda Item 7-3 board letter

**52246** Approve the revised General Manager job description, final draft of the General Manager recruitment brochure and the proposed General Manager outreach plan including revisions made during the January 11, 2021 Organization, Personnel, and Technology Committee meeting.

**52247** Authorize two agreements with: 1) Switch, Inc., in an amount not-to-exceed \$1,062,284 for the lease of space for the Primary location and 2) SHI International, Inc., in an amount not-to-exceed \$4,077,866 for the procurement of equipment for the



The motion to approve the Consent Calendar Items 6A, 6C, 7-2, 7-3, 7-4, and 7-5 **(M.I. No. 52240 through No. 52242, and No. 52244 through No. 52247)**, passed by a vote of 321,309 ayes; 0 noes; 0 abstain; 0 not voting; and 3,517 absent.

\*Note: Individual vote tally for vote on Item 7-1.

Directors Butkiewicz, Goldberg, Hogan, and Smith voted no on Consent Calendar Item 7-1. The motion to approve Consent Calendar Item 7-1 **(M.I.52243)** passed by a vote of 264,999 ayes; 56,310 noes; 0 abstain; 0 not voting; and 3,517 absent.

**52248** Board Chairwoman Gray asked if there were questions or need for discussion for Board Information Items 9-1, 9-2, 9-3, and 9-4. No requests were made.

**52249** The Brown Act training for the Board of Directors coordinated by the Legal Department and the Ethics Office was conducted as set forth in Agenda Item 10-1.

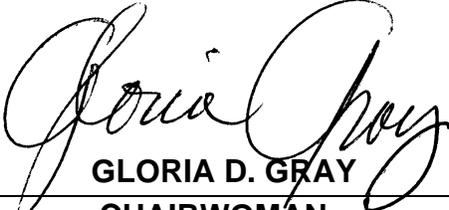
Directors asked questions as follows:

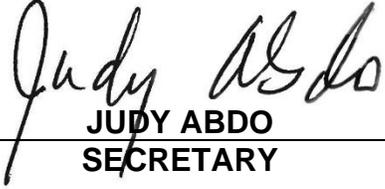
Directors	Comments/Questions
1. Kurtz	Asked a question.
2. Ortega	Asked a question.
3. De Jesus	Asked a question.
4. Pressman	Asked a question.

**52250** Chairwoman Gray asked if there were any future agenda items.

Directors	Comments/Questions
1. Treviño	Asked if Board parliamentary rules will be discussed at the next Executive Committee. Chairwoman confirmed
2. Smith	Asked if the General Counsel would be sending out materials on Metropolitan procedures to the Board. General Counsel confirmed that materials will be sent for Robert's Rules and Rosenberg's Rules
3. Ortega	Asked if Committee assignments would be discussed in February. Chairwoman said that was her intention

**52251** There being no objection, at 2:00 p.m., Chairwoman Gray adjourned the Meeting.

  
GLORIA D. GRAY  
CHAIRWOMAN

  
JUDY ABDO  
SECRETARY



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

*Office of the General Manager*

**VIA EMAIL**

January 12, 2021

Director Jerry Butkiewicz  
Director Gail Goldberg  
Director Michael T. Hogan  
Director Tim Smith  
San Diego County Water Authority  
4677 Overland Avenue  
San Diego, CA 92123

Dear Directors:

Re: Your letter dated January 10, 2021 regarding Draft Appendix A dated December 22, 2020

This letter addresses your comments received January 10, 2021 (SDCWA 2021 Letter), regarding the Board Distribution of the Draft Appendix A dated December 22, 2020 (Attachment 1) and Appendix A redline draft (Attachment 2).

Thank you for your review of and comments on Metropolitan's Appendix A. We have carefully reviewed and considered the comments and circulated them to our finance team, including Disclosure Counsel and our Municipal Advisor.

Before discussing specific comments, please note that Appendix A provides material financial and operating information about Metropolitan to potential investors. Disclosure Counsel prepares Appendix A with assistance and oversight from the Office of the Chief Financial Officer and the Office of General Counsel. Finance, Water Resource Management, Water System Operations, Engineering Services, Office of General Counsel, and Human Resources staffs provide the information necessary to update Appendix A. Metropolitan's Controller reviews and verifies tables, statistics and financial data. Metropolitan also works with, and receives input from, its Bond Counsel and Municipal Advisor, as well as the underwriters of the bonds and their counsel, to ensure Metropolitan meets all legal requirements in the drafting of Appendix A.

Appendix A is reviewed by Metropolitan's Board of Directors. Metropolitan's objective is to provide complete and accurate disclosure regarding the bonds being offered and their security and source of payment to potential investors. Appendix A is updated periodically to provide current information. Forward-looking statements or projections are based on current information such as

SDCWA Directors

January 12, 2021

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the facts and assumptions contained within the approved biennial budget for fiscal years 2020-21 and 2021-22 and ten-year financial forecast. Revisions to current year projections may be made based on available information regarding experienced results when warranted.

In the SDCWA 2021 Letter, you incorporate by reference prior SDCWA letters regarding Appendix A, which have been addressed in Metropolitan's response letters electronically provided to all SDCWA directors and copied to Metropolitan's Board of Directors.

The following SDCWA comments and Metropolitan's responses refer to the redline draft of Appendix A dated December 22, 2020, showing changes from the draft dated April 29, 2020 (Attachment 1).

### **Comments Regarding Demand for and Metropolitan Water**

***SDCWA Comment:*** "Our overarching concern remains, that Appendix A as drafted and taken as a whole, does not fairly describe what is driving the reduced demand for MWD water and the financial impacts on MWD."

**Metropolitan Response:** Metropolitan substantively responded to these comments in its June 22, 2018, November 15, 2018, and May 16, 2019 response letters and those responses are incorporated by reference here. Appendix A notes the ongoing IRP process and planning approach being utilized. Additionally, the 2020 IRP update of water transaction forecasts, once completed and approved by the Board, will be incorporated into the subsequent Appendix A.

***SDCWA Comment:*** "A-5. Water transactions. While the COVID-19 pandemic may very well impact MWD water sales, there is no reason to believe that MWD's delivery of the Water Authority's QSA water will be impacted by the pandemic."

**Metropolitan Response:** Appendix A accurately describes currently known COVID-19 possible impacts. As the COVID-19 outbreak continues, it is difficult to determine the degree of impact, if any, on Metropolitan's water transactions. As described in prior letters, pursuant to the Exchange Agreement, SDCWA makes its purchased conserved IID water and its conserved canal lining water available to Metropolitan at its intake at Lake Havasu. In exchange, Metropolitan delivers an equal volume of water from any source through its delivery system to SDCWA. The Exchange Agreement and its terms are accurately described in Appendix A, see "Quantification Settlement Agreement" and "Metropolitan and San Diego County Water Authority Exchange Agreement."

***SDCWA Comment:*** "A-12. Local Water Supplies. The description does not account for known facts regarding development of local water supplies and includes 2015 IRP numbers and "targets" that are substantially outdated, all of which has been the subject of discussion beginning at the Board's October retreat, and reinforced during the 2020 IRP update process by many directors and member agencies."

**Metropolitan Response:** Metropolitan believes that all material information regarding Local Water Supplies has been disclosed in Appendix A. However, Metropolitan will include information describing local water supplies not funded by Metropolitan prior to printing.

***SDCWA Comment:*** “A-66. Summary of Water Transactions and Revenues. The schedule improperly combines water sales and transportation services—apples and oranges—and then computes an “average dollars per 1,000 gallons,” which is a number with no meaning in the context of water or transportation cost.”

**Metropolitan Response:** Metropolitan clearly discloses and describes Metropolitan’s water transactions and revenues. The term “water transactions” is defined wherever it is used. “Water transactions” includes water sales, exchanges, and wheeling; exchanges and wheeling may occur with member agencies and third parties. Similarly, the term “water revenues” is clearly defined wherever it is used and expressly states that it includes revenues from water sales, exchanges, and wheeling. The table accurately reflects the revenues generated by Metropolitan for the water services it provides.

***SDCWA Comment:*** “A-66. Ten Largest Water Customers. The schedule is misleading for the same reasons. The Water Authority is not MWD’s largest “water” customer as indicated; correctly stated, it is MWD’s largest user of MWD transportation service and its eighth largest water customer. Combining the two in a single calculation does not provide transparency of MWD’s water sales and services; at a minimum the chart should be titled Ten Largest Customers and break out water sales and transportation services provided to the Water Authority.”

**Metropolitan Response:** The Largest Water Customer table reflects all water transactions. As indicated above, the term “water transactions” is defined and includes water sales, exchanges, and wheeling; exchanges and wheeling may occur with member agencies and third parties. “Customer” as used in Appendix A is meant in its broadest definition as a person or organization that pays for goods or services.

***SDCWA Comment:*** “A-67. Water Stewardship Rate. The Court of Appeal has rejected MWD’s contention that, “[a]ll users...benefit from avoided system infrastructure costs through conservation and local resources development, and from the system capacity made available by investments in demand management programs like Metropolitan’s Conservation Credits Program and Local Resources Program.” The Water Stewardship Rate was not invalidated as a charge on MWD water purchases, but was invalidated as a transportation charge. See Appendix A redline draft at p. A-79, fourth full paragraph. Reference to “transactions” again, obscures this important distinction.”

**Metropolitan Response:** In *SDCWA v. Metropolitan*, 12 Cal.App.5th 1124, the Court of Appeal found that the administrative record before it for the rates in CYs 2011 through 2014 did not support Metropolitan’s Water Stewardship Rate allocation to transportation rates, but the court did not address the allocation in subsequent years based on a different record. The Court of Appeal did not consider the inclusion of the Water Stewardship Rate

in Metropolitan's full service rate. Moreover, the Water Stewardship Rate has not been collected from SDCWA on its Exchange Agreement deliveries since January 1, 2018 and has not been collected from any member agency on any transactions since January 1, 2021. Therefore, there is no relevant distinction, as claimed, since that rate does not currently affect revenues.

***SDCWA Comment:*** "A-81. Offsetting Benefits. We disagree with the statement that only the stayed 2018 case had previously included an offsetting benefits claim, however, do not dispute that this is MWD's contention in the litigation on an issue that is yet to be tried. We disagree with a number of MWD's characterizations relating to the litigation, but have only addressed here those in which the Court has already made specific rulings that are inconsistent with MWD's statements, e.g., Water Stewardship Rate, described above."

**Metropolitan Response:** Appendix A is not the appropriate document to include SDCWA's contentions in the ongoing rate litigation.

**Other Comments in SDCWA 2021 Letter Regarding January 2021 Board Memo 7-1 (Appendix A)**

***SDCWA Comment:*** "A-6. General Manager's retirement. While the General Manager (GM)'s retirement may coincide with the hiring of a successor, there has been no board determination to that effect. The GM submitted his resignation which was accepted by the Board, scheduled to occur at the end of 2020. Due to delays in the GM search process, the timeline has been delayed; however, there has not been any determination by the Board one way or the other as to when Mr. Kightlinger will depart. Without benefit of reviewing Mr. Kightlinger's employment contract, it is unknown what impact if any might result from describing an agreement that does not exist that he will remain the GM until his successor is hired."

**Metropolitan Response:** The General Manager stated his intent to retire upon the hiring of his successor. As stated in the introductory paragraph of the Management section on page A-6, Appendix A clearly discloses that the General Manager serves at the pleasure of the Board.

***SDCWA Comment:*** "A-12. Water Conservation. Please describe how this explanation incorporates the per capita reduction reported in the recent IRP Retrospective Draft, representing a 500,000 acre-foot reduction in demand."

**Metropolitan Response:** The discussion of "Water Conservation" on A-12 describes the stated water conservation goal set forth in the most recently adopted IRP. This section does not describe any of the preliminary findings in the IRP Retrospective Draft. All information regarding the ongoing 2020 IRP Update can be found on A-12.

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***SDCWA Comment:*** “A-27. IID’s CEQA lawsuit. We trust you will update the language to reflect the Court’s decision on technical grounds that IID failed to exhaust its administrative remedies but that it also found that MWD’s assumption of California’s DCP obligation could not be deemed negligible so as to qualify for the CEQA exemption MWD relied on.”

**Metropolitan Response:** Appendix A will be updated to reflect the recent decision in IID v. MWD litigation. On January 11th, the court released a revised final order. The revised final order states that IID’s petition was denied for failure to exhaust administrative remedies, and that MWD’s assumption of California’s DCP obligation did qualify for the CEQA exemption MWD relied on.

***SDCWA Comment:*** “A-36. Bard Water District Seasonal Fallowing Program. Please provide data for 2021 cost and acre feet in place of the 2020 data being deleted.”

**Metropolitan Response:** Metropolitan will be providing up to \$1.4 million for the Bard Water District Seasonal Fallowing Program’s (Program) 2021 fallowing season. This includes \$457 per acre, up to 3,000 acres, and an additional one-time payment of \$15,000 provided to Bard for an estimated unit cost of \$231 per acre-foot. Given the magnitude of this program, this additional detail is not material to investors. The number of acres and payment for the 2021 fallowing season will be finalized by March of 2021, and Metropolitan staff will be updating the Board on activities relating to the Program in the next few months.

***SDCWA Comment:*** “A-38. Storage Capacity and Water in Storage. Staff is deleting the projected operation of storage in terms of drawing on storage in seven of about 10 years and contributing to storage in about three out of 10 years. Please provide the changed projections showing projected contributions to and drawdowns from storage based on projected demands.”

**Metropolitan Response:** Prior storage projections were removed because they are no longer applicable.

***SDCWA Comment:*** “A-43. Regional Water Resources. The single greatest and most notable change in regional water resources over the past five and 10 years, having the single greatest impact on the reduced demand for MWD’s supplemental water supply, is the more than 300,000 acre feet of water supply developed by the Water Authority—both QSA and seawater desalination, neither of which is mentioned in the description of regional water supply. This supply is delivered year in and year out, unlike the LAA supply which varies, as described in detail in the draft Appendix A, from 141,866 in fiscal year 2018-19 to a high of 332,528 in fiscal year 2015-16. Other MWD agencies and sub-agencies are also reducing demand on MWD, consistent with California law and water policy, which also is not adequately addressed in the draft Appendix A.”

SDCWA Directors

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**Metropolitan Response:** Appendix A includes all material information related to local water supplies. Metropolitan has disclosed the seawater desalination programs operating in Metropolitan’s service area, see “REGIONAL WATER RESOURCES–Local Water Supplies – Seawater Desalination”. Appendix A also contains descriptions of local water supplies that have been developed by member agencies. As noted above, Metropolitan will also be adding a description of the quantity of local water supplies not funded by Metropolitan to the various subsection in “REGIONAL WATER RESOURCES–Local Water Supplies.” With respect to conserved IID and canal lining water exchanged under the Exchange Agreement, please refer to our response to comment on A-5, above.

**SDCWA Comment:** “A-48. Regional Recycled Water Program (RRWP). Thank you for including disclosure that MWD’s financial projections do not include future capital costs of the RRWP. Since you have included reference to the \$6 million payment by Southern Nevada Water Authority (SNWA) for planning costs, we recommend you also include disclosure of the total estimated planning costs, estimated capital cost of the RRWP and the fact that SNWA’s payment must be refunded if the parties do not move forward with an agreement for the RRWP.”

**Metropolitan Response:** Anticipated costs for the full-scale Regional Recycled Water Program are not included in Appendix A because the Board has not approved the project and there are no firm financial or contractual commitments to move beyond the demonstration project at this time, except to undertake the environmental review activities as described, the budgeted costs for which are clearly disclosed. Appendix A will be revised to reflect the potential reimbursement of SNWA’s payment.

Sincerely,



Katano Kasaine  
Assistant General Manager/Chief Financial  
Officer/Treasurer



Marcia Scully  
General Counsel

cc: J. Kightlinger  
MWD Board Members  
SDCWA Board of Directors and Member Agencies

Attachment 1— Board Distribution Draft Appendix A dated December 22, 2020

Attachment 2— Board Distribution Draft Appendix A dated December 22, 2020, redline draft



January 10, 2021

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

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

RE: Board Memo 7-1 – Approve and authorize the distribution of Appendix A for use in the issuance and remarketing of Metropolitan’s Bonds –OPPOSE

Dear Chairwoman Gray and Board Members:

This letter will provide you with our principal concerns and other comments on the 12/22/20 redline draft Appendix A.

**Principal Concerns**

Our overarching concern remains, that Appendix A as drafted and taken as a whole, does not fairly describe the factors driving the reduced demand for MWD water and the financial impacts on MWD.

Since our last letter of May 10, 2020,<sup>1</sup> MWD's preliminary 2020 Urban Water Management Plan (UWMP) data has been provided and confirms the sales trend we have been concerned about for several years. Our concerns are exacerbated by the current IRP process which has still not completed the first step of identifying the projected demand for supplemental water from MWD; and, 10-year rate projections that do not include estimated costs of the two major projects MWD is relying on for its long term water supply reliability.

In response to our request that staff prepare a long range finance plan, we have been told that the 10-year rate projections are intended to serve as MWD’s long range finance plan. This means we are doing our “long range” financial planning on a two-year, budget-to-budget rate cycle. Recently, our rate review process which had earlier promised to address these long term planning issues in the context of an updated Integrated Resources Plan (IRP) may be limited to a discussion of demand management costs only (or at least for the next several months), which represent less than 3% of MWD costs. In short, we are simply not grappling with the realities we all thought were important and began to discuss last October at our retreat.

Here are some of the statements in Appendix A that are related to this and are, we believe inaccurate or misleading in the context of the overall disclosures and statements

<sup>1</sup> Copies of our January 12 and May 10, 2020 letters on the draft Appendix A have previously been provided and are incorporated by reference, including comments on each and every issue not previously addressed.

OTHER REPRESENTATIVE

- County of San Diego

contained in the Appendix A:

- *A-5. Water transactions.* While the COVID-19 pandemic may very well impact MWD water sales, there is no reason to believe that MWD's delivery of the Water Authority's QSA water will be impacted by the pandemic.
- *A-12. Local Water Supplies.* The description does not account for known facts regarding development of local water supplies and includes 2015 IRP numbers and "targets" that are substantially outdated, all of which has been the subject of discussion beginning at the Board's October retreat, and reinforced during the 2020 IRP update process by many directors and member agencies.
- *A-66. Summary of Water Transactions and Revenues.* The schedule improperly combines water sales and transportation services—apples and oranges—and then computes an "average dollars per 1,000 gallons," which is a number with no meaning in the context of water or transportation cost.
- *A-66. Ten Largest Water Customers.* The schedule is misleading for the same reasons. The Water Authority is not MWD's largest "water" customer as indicated; correctly stated, it is MWD's largest user of MWD transportation service and its eighth largest water customer. Combining the two in a single calculation does not provide transparency of MWD's water sales and services; at a minimum the chart should be titled Ten Largest Customers and break out water sales and transportation services provided to the Water Authority.
- *A-67. Water Stewardship Rate.* The Court of Appeal has rejected MWD's contention that, "[a]ll users...benefit from avoided system infrastructure costs through conservation and local resources development, and from the system capacity made available by investments in demand management programs like Metropolitan's Conservation Credits Program and Local Resources Program." The Water Stewardship Rate was not invalidated as a charge on MWD water purchases, but was invalidated as a transportation charge. See Appendix A redline draft at p. A-79, fourth full paragraph. Reference to "transactions" again, obscures this important distinction.
- *A-81. Offsetting Benefits.* We disagree with the statement that only the stayed 2018 case had previously included an offsetting benefits claim, however, do not dispute that this is MWD's contention in the litigation on an issue that is yet to be tried. We disagree with a number of MWD's characterizations relating to the litigation, but have only addressed here those in which the Court has already made specific rulings that are inconsistent with MWD's statements, e.g., Water Stewardship Rate, described above.

## Other Comments and Questions

- *A-6. General Manager's retirement.* While the General Manager (GM)'s retirement may coincide with the hiring of a successor, there has been no board determination to that effect. The GM submitted his resignation which was accepted by the Board, scheduled to occur at the end of 2020. Due to delays in the GM search process, the timeline has been delayed; however, there has not been any determination by the Board one way or the other as to when Mr. Kightlinger will depart. Without benefit of reviewing Mr. Kightlinger's employment contract, it is unknown what impact if any might result from describing an agreement that does not exist that he will remain the GM until his successor is hired.
- *A-12. Water Conservation.* Please describe how this explanation incorporates the per capita reduction reported in the recent IRP Retrospective Draft, representing a 500,000 acre-foot reduction in demand.
- *A-25. Exchange Agreement Price.* Thank you for making edits requested previously regarding the fact that MWD is not selling water at a discount to the Water Authority when it meets its delivery commitment under the Exchange Agreement.
- *A-27. IID's CEQA lawsuit.* We trust you will update the language to reflect the Court's decision on technical grounds that IID failed to exhaust its administrative remedies but that it also found that MWD's assumption of California's DCP obligation could not be deemed negligible so as to qualify for the CEQA exemption MWD relied on.
- *A-36. Bard Water District Seasonal Fallowing Program.* Please provide data for 2021 cost and acre feet in place of the 2020 data being deleted.
- *A-38. Storage Capacity and Water in Storage.* Staff is deleting the projected operation of storage in terms of drawing on storage in seven of about 10 years and contributing to storage in about three out of 10 years. Please provide the changed projections showing projected contributions to and drawdowns from storage based on projected demands.
- *A-43. Regional Water Resources.* The single greatest and most notable change in regional water resources over the past five and 10 years, having the single greatest impact on the reduced demand for MWD's supplemental water supply, is the more than 300,000 acre feet of water supply developed by the Water Authority—both QSA and seawater desalination, neither of which is mentioned in the description of regional water supply. This supply is delivered year in and year out, unlike the LAA supply which varies, as described in detail in the draft Appendix A, from 141,866 in fiscal year 2018-19 to a high of 332,528 in fiscal year 2015-16. Other MWD agencies and sub-agencies are also reducing demand on MWD, consistent with California law and water policy, which also is not adequately addressed in the draft Appendix A.

Chairwoman Gray and Members of the Board

January 10, 2021

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- A-48. *Regional Recycled Water Program (RRWP)*. Thank you for including disclosure that MWD's financial projections do not include future capital costs of the RRWP. Since you have included reference to the \$6 million payment by Southern Nevada Water Authority (SNWA) for planning costs, we recommend you also include disclosure of the total estimated planning costs, estimated capital cost of the RRWP and the fact that SNWA's payment must be refunded if the parties do not move forward with an agreement for the RRWP.

We will as always appreciate your written response to our comments. We look forward to continuing to work with our fellow board members on the IRP and rate review processes and hope to find ourselves comfortable in supporting future bond offerings by MWD.

Sincerely,



Jerry Butkiewicz  
Director



S. Gail Goldberg  
Director



Michael T. Hogan  
Director



Tim Smith  
Director

cc: Jeff Kightlinger, General Manager  
Water Authority Board of Directors