



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Manager

October 30, 2012

Director Lynne Heidel
Director Keith Lewinger
Director Fern Steiner
Director Doug Wilson
San Diego County Water Authority
4766 Overland Avenue
San Diego, CA 92123

Dear Directors:

Your letter dated October 8, 2012, regarding Board Letter 8-3—Approve the form of the amended and restated Purchase Order and authorize amendment of Section 4122 of the Administrative Code

Chairman Foley asked me to respond to your letter regarding the form of amended and restated Purchase Order approved by the Board on October 9, 2012.

Your letter contains detailed comments and concerns, most of which were addressed in the staff presentation at the Finance and Insurance Committee on October 8, 2012, and the committee discussion. We will not address them again here. The purpose of this response is to correct your assertion that the Board's action on November 8, 2011, approving the City of Compton's request to withdraw its purchase order, is a new policy that should be included in the amended purchase orders.

The November 2011 board letter explained Compton's reduced water purchase trend due to operational changes that occurred after execution of its purchase order. Upon withdrawal of the purchase order, Metropolitan revised Compton's Tier 1 limit and will require Compton to pay the Tier 2 Supply Rate on any future water purchases over the revised lower limit.

The Board's action last November approved only the Compton purchase order withdrawal. If other member agencies make similar requests, they must meet the same conditions, but the Board would consider similar requests from other member agencies individually. This is required under

SDCWA Directors
October 30, 2012
Page 2

Administrative Code Section 4404(b) and consistent with the November 2011 board letter. Thus it is not accurate to characterize the November action as a generally-applicable board policy or appropriate to include it in the amended and restated purchase orders.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Breaux". The signature is stylized with a large initial "G" and a long horizontal stroke.

Gary Breaux
Assistant General Manager/Chief Financial Officer

cc: MWD Board of Directors
SDCWA Board of Directors