



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Counsel

VIA FEDERAL EXPRESS

March 30, 2016

Mark J. Hattam, Esq.
General Counsel
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123-1233

Re: Further Response to Public Records Act Request Dated February 18, 2016

Dear Mr. Hattam:

Enclosed is a DVD containing further disclosable Metropolitan records provided in response to San Diego County Water Authority's (SDCWA) February 18, 2016 Public Records Act (PRA) request, to the extent they: (1) are not already posted on Metropolitan's website at www.mwdh2o.com, (2) have not already been provided to the Metropolitan Board of Directors, and/or (3) have not already been provided to SDCWA in response to its prior PRA requests or in connection with the *SDCWA v. MWD* litigation.

As the staff continues to work on budget and rate matters in response to requests from the Board and direction from management until final adoption of the budget and rates, we may provide an additional production with later records as well. Additionally, given the voluminous amount of information requested, Metropolitan is continuing to collect and prepare certain additional responsive records. We will make a supplemental production by April 7, 2016.

As noted in my prior letters to James Taylor concerning this request, we will post this material online so it is available to all Metropolitan Board members, member agency staff and the public. If any Board member requests, we will also provide the material on a DVD.

Very truly yours,

A handwritten signature in cursive script that reads "Marcia".

Marcia Scully
General Counsel

Enclosure

From: Brigitte Wester [mailto:Brigitte.Wester@profilinstitute.com]
Sent: Wednesday, March 30, 2016 5:05 PM
To: Chin,Dawn
Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

To: dchin@mwdh2o.com

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Dear Chair Record:

MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the Board.

- The new fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, ex post facto tax on ratepayers without regard to which agencies have or may benefit from the water treatment facilities MWD chose to build without having any firm commitments from any member agency to use or pay for this service -- which MWD is not legally obligated to provide.
- At the same time it is creating this new fixed charge, claiming that fixed charges are needed by MWD, it is reducing two existing fixed charges without apparent justification.
- A Superior Court judge has already ruled that MWD's rates are illegal – but MWD is still using the same flawed methodology to misallocate costs among its rates and charges.
- MWD has refused to make its rate model public, claiming it is a “trade secret.”
- At the same time MWD is raising all of these rates, it is also increasing property taxes. There is again, no apparent basis for doing so. This is especially concerning given MWD's history of collecting hundreds of millions more dollars than justified by its budgets or actual costs and its practice of spending that money rather than returning it to ratepayers or setting it aside for later years to avoid more rate increases. Over the past five years alone, MWD has collected \$847 million more than its budgeted costs and has spent even more -- as much as \$1.2 billion on unbudgeted expenses.

I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

Brigitte Wester
7015 Camino Pacheco
San Diego, CA 92111

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From: michelle muscat [mailto:muscatfamily@yahoo.com]
Sent: Wednesday, March 30, 2016 8:26 AM
To: Chin,Dawn
Subject: Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

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I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,
Ed and Michelle Muscat
14949 Eastvale Road
Poway, CA 92064

This communication, together with any attachments or embedded links, is for the sole use of the intended recipient(s) and may contain information that is confidential or legally protected. If you are not the intended recipient, you are hereby notified that any review, disclosure, copying, dissemination, distribution or use of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return e-mail message and delete the original and all copies of the communication, along with any attachments or embedded links, from your system.

From: fbasd@foodnbeverage.org [mailto:fbasd@foodnbeverage.org]
Sent: Wednesday, March 30, 2016 11:04 AM
To: Chin,Dawn
Subject: Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

To: dchin@mwdh2o.com

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

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The full Board of Directors Food & Beverage Association SDC ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

Stephen A. Zolezzi
President / CEO

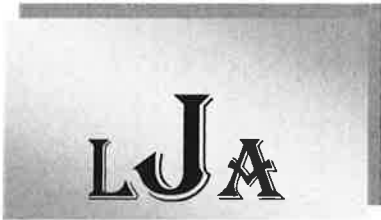
Food & Beverage Association of San Diego
Hospitality's Go-To Source

3110 Camino Del Rio South
Suite 315
San Diego, CA 92108

Office { 619 . 228 . 2291
Mobile { 619 . 379 . 4300
Email { fbasd@foodnbeverage.org
Web { www.foodnbeverage.org

IMPORTANT: If you have received this electronic transmission in error, please immediately notify us electronically or phone 619-228-2291

Stay up to date on what's happening at the F&BA by subscribing to our Blog-go to www.foodnbeverage.org and click on "Blog" in the left column and on the "Follow" button on our Blog Page. Also, if you're a Facebook user, look us up and become a fan!



Lois A. Jones

March 30, 2016

To: dchin@mwdh2o.com

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

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I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lois A. Jones'. The signature is fluid and cursive, with the first name 'Lois' being the most prominent part.

Lois A. Jones

P. O. Box 2715, Rancho Santa Fe, California 92067
e-mail: loikaj@cox.net

(760) 755-7189 office
(714) 345-0369 cell



March 30, 2016

To: dchin@mwdh2o.com

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Randy Record, Chair
and Members of the Board of Directors
Metropolitan Water District
PO Box 54153
Los Angeles, CA 90054-0153

Dear Chair Record:

On behalf of Biocom, I am writing to oppose the water rate proposal that we are informed could increase the cost of treated water for the San Diego region in 2017 by as much as 62 percent and increase the cost of untreated water by 12 percent.

Biocom is the life science trade association in Southern California, representing 750 member companies. Our industry produces \$32 billion in annual economic activity in San Diego County, which would be disproportionately affected by this proposal. Our members depend on a reliable, affordable source of water for the research and experiments that hopefully will someday change and save people's lives. An adequate guarantee of affordable water is also a major factor for companies as they consider whether to locate research and manufacturing facilities in this region. If the trend of global companies choosing to locate in San Diego County is to continue, we must persist in promoting access to reliable sources of water at competitive rates.

The proposed rate increases, along with the 6 percent wheeling rate increase and \$112 million property tax increase, place an inordinate burden on San Diego rate payers. These rates are significantly higher than the 4 percent average cost increase that MWD has said will apply to its entire service area.

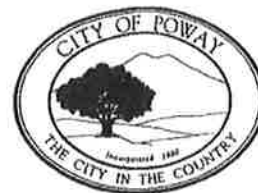
Biocom requests that MWD produce a cost of service study to justify its rate increases. Biocom supported the moderate increases recently enacted by the City of San Diego after such a study was done, as it showed the rate increases will largely go to pay for water reliability projects including Pure Water San Diego and the Carlsbad Desalination Plant.

Biocom strongly encourages MWD to reconsider the proposed increases to its rates and charges and instead equitably share responsibility among all affected stakeholders.

Sincerely,

Joe Panetta, President and CEO
Biocom

CITY OF POWAY



STEVE VAUS, Mayor
JIM CUNNINGHAM, Deputy Mayor
DAVE GROSCH, Councilmember
BARRY LEONARD, Councilmember
JOHN MULLIN, Councilmember

April 1, 2016

Maureen Stapleton
General Manager
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA, 92123

Dear Ms. Stapleton,

The City of Poway places a great value on transparency and fiscal prudence. The County Water Authority, as a member agency of the Metropolitan Water District of Southern California (MWD), should pressure MWD to engage in an appropriate and transparent rate-setting process. This process should include a fair amount of time to review Cost of Service studies before a public hearing, and include the involvement of all MWD member agencies.

The cost of water is not decreasing in California and ultimately some cost increases are both appropriate and necessary. That being said, it is fundamentally important for every agency to control costs wherever possible to minimize the impact on rate-payers. The City expects that the CWA's representatives to the MWD board will share the same commitment to cutting costs within MWD as we have in our own agency. The goal of water suppliers should be the delivery of safe and reliable water at an appropriate cost to the end user.

The City of Poway supports the CWA's stance on an open and transparent rate setting process and the appropriate allocation of costs to member agencies. Additionally, the City expects that all wholesale water suppliers throughout the water delivery process engage in cost control methods where appropriate.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Singer", with a long, sweeping underline.

Dan Singer
City Manager

c: Troy Bankston, Director of Public Works
Mark Weston, SDCWA Board Chair
Metropolitan Water District Board of Directors



San Diego East County Economic Development Council

April 1, 2016

Subject: Comment Letter – Rates and Charges for 2017 and 2018

Randy Record, Chair, and
Members of the Board of Directors
Metropolitan Water District (MWD)
P.O. Box 54153
Los Angeles, CA 90054-0153

Dear Chair Record:

I am writing on behalf of the San Diego East County Economic Development Council to register our serious concerns with MWD's recommended package of rates, charges and taxes for the next two years. This proposed package is deeply flawed and should be rejected by the Board.

- The new, fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, *ex post facto* tax on ratepayers without regard to which agencies have, or may benefit from, the water treatment facilities MWD chose to build without a firm commitment from *any* member agency to use or pay for this service. MWD is not legally obligated to provide this service but chose to make the investments with without due diligence or member input.
- At the same time MWD is creating this new fixed charge -- claiming that MWD needs these fixed charges -- it is reducing two existing fixed charges without apparent justification.
- A Superior Court judge has already ruled that MWD's rates are illegal – but MWD is still using the same flawed methodology to misallocate costs among its rates and charges.
- MWD has refused to make its rate model public, claiming it is a “trade secret.”
- While MWD is raising these rates, it simultaneously increasing property taxes. Again, there is no apparent basis for these property tax hikes. These increases are especially concerning given MWD's history of collecting hundreds of millions more dollars than justified by its budgets or actual costs as well as its practice of spending that money rather than returning it to ratepayers or setting reserves aside for later years to avoid more rate increases. Over the past five years alone, MWD has collected \$847 million more than its budgeted costs and has spent even more -- as much as \$1.2 billion on unbudgeted expenses.

I ask that the MWD Board direct its staff to revisit this proposed package and produce lawful rates that are based on costs, as required by law.

Sincerely,

A handwritten signature in black ink, appearing to read "Jo Marie Diamond". The signature is stylized and somewhat cursive.

Jo Marie Diamond
President and CEO

1908 Friendship Drive, Suite A
El Cajon, CA 92020
P. (619) 258-3670
F. (619) 258-3674
www.eastcountyledc.org



402 West Broadway, Suite 1000
San Diego, CA 92101-3585
p: 619.544.1300

www.sdchamber.org

April 1, 2016

Chairman Randy A. Record
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Re: Metropolitan Water District's (MWD) Proposed Rate Adjustments

Dear Chairman Record:

On behalf of the San Diego Regional Chamber of Commerce (Chamber), I am writing to express the Chamber's concerns regarding the proposed increases in the Metropolitan Water District's (MWD) rates. On March 8, 2016, the Chamber Public Policy Committee voted to request that the MWD postpone the adoption of their 2017 and 2018 rates, and also request a long-range financing plan. With approximately 2,500 members representing an estimated 300,000 employees, the Chamber is the largest nonprofit advocate for regional businesses and is dedicated to growing commerce in the San Diego region.

The Chamber respectfully requests the MWD to postpone the adoption of its rates to allow for adequate time after it releases its Cost of Service Report for affected water agencies and more of the public to review and provide meaningful comments.

In addition, the Chamber respectfully requests a long-range finance plan to responsibly structure repayment of State Water Project costs to provide thorough justification for MWD's suspension of the ad valorem property tax rate.

If you have any questions, please do not hesitate to contact Sean Karafin, Executive Director of Policy & Economic Research, at (619) 544-1352 or skarafin@sdchamber.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Sanders', is written over a horizontal line.

Jerry Sanders
President & CEO
San Diego Regional Chamber of Commerce

CC: Metropolitan Water District Board of Directors
Metropolitan Water District General Manager Jeffrey Kightlinger

Subject: Proposed Rates and Charges for 2017 and 2018 – OPPOSE

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Dear Chair Record,

April 4, 2016

As a consumer of water in San Diego County, I must rely on the fiduciary responsibility of the MWD's Board to accomplish the task of ensuring a fair rate for this precious resource. With the recent court ruling against MWD, I am more aware and cautious of the Board's decisions. Thus, for the following reasons, I believe the recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the MWD Board.

- The new fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, ex post facto tax on ratepayers without regard to which agencies have or may benefit from the water treatment facilities MWD chose to build without having any firm commitments from any member agency to use or pay for this service -- which MWD is not legally obligated to provide.
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I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs.

Sincerely,

Rorie Johnston
207 Ivory Gull Way
San Marcos, CA 92078

From: Norrie Robbins [<mailto:norrierobbins@cox.net>]
Sent: Tuesday, April 05, 2016 2:07 PM
To: Chin,Dawn
Subject: Opposed to rates and charges for 2017 and 2018

11017 Via Merida
La Mesa, CA 91941
April 5, 2016

Subject: Proposed rates and charges for 2017 and 2018—OPPOSE

Randy Record, Chair
and Members of the Board of Directors
MWD
P.O. Box 54153
Los Angeles, CA 90054

Dear Board:

I think you haven't put in enough time thinking about how people process and need information. We are in a drought. We need everyone thinking about saving water. I understand that raising rates focuses everyone's thoughts. But, that is the most severe of all the tools that are available to you.

You have received a lot of letters discussing the facts that the base period for the new fixed charge for treated water cannot be supported on service cost; on reducing two existing fixed charges without giving

justification; that a Superior Court judge has ruled your rates are illegal; that you use a trade secret for creating rates; and that you are also increasing property rates, which sounds like double bookkeeping.

We ratepayers need you to reassess your actions and produce lawful rates based on actual costs.

Sincerely yours,

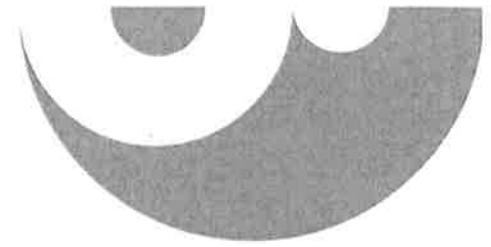
Eleanora I. Robbins

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Asian Business Association
of San Diego

P 858-277-2822 F 858-277-2622 W www.abasdl.org
7675 Dagget Street, Suite 340, San Diego, CA 92111



April 5, 2016

To: dchin@mwdh2o.com

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Dear Chair Record:

The Asian Business Association of San Diego (ABASD) believes that MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the Board.

- ✓ The new fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, ex post facto tax on ratepayers without regard to which agencies have or may benefit from the water treatment facilities MWD chose to build without having any firm commitments from any member agency to use or pay for this service -- which MWD is not legally obligated to provide.
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Sincerely,

Wendy Urushima-Conn
President & CEO



**BOARD OF SUPERVISORS
COUNTY OF VENTURA**
625 WEST HILLCREST DRIVE, THOUSAND OAKS, CA 91360

MEMBERS OF THE BOARD
LINDA PARKS
Chair
STEVE BENNETT
KATHY I. LONG
PETER C. FOY
JOHN C. ZARAGOZA

LINDA PARKS
SUPERVISOR, SECOND DISTRICT
(805) 214-2510
FAX: (805) 480-0585
E-mail: Linda.Parks@ventura.org

April 5, 2016

Mr. Randy A. Record
Board of Directors
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

Re: Letter of Opposition Regarding Proposed Treatment Rate Design

Dear Mr. Record,

The Ventura County Board of Supervisors is the Board of Directors for Ventura County Waterworks District Nos. 1 (Moorpark), 17 (Bell Canyon), 19 (Somis), and 38 (Lake Sherwood).

I am writing to express our opposition to the proposal currently under consideration by the Metropolitan Board of Directors (Metropolitan Board) to adopt, as presented by Raftelis, the Treatment Rate Design that includes a volumetric and fixed revenue recovery component. The proposal to modify the current 100% Volumetric Revenue Recovery to a 62% Volumetric Revenue Recovery, with a 38% Fixed Revenue Recovery component, based on historical usage, is not legal or in the best interest of our ratepayers. Additionally, it runs counter to critical water policy efforts that work to incentivize conservation.

Although the estimated fixed charge of \$73 per acre foot (AF) may slightly reduce costs to our Waterworks Districts initially, the concern is that the fixed component is based on the greater of: (1) an agency's average demand between 1998 and 2007 or (2) a running average of the most recent ten years. Under this proposal, if an agency develops local resources after 2007, it must continue to pay for the fixed cost of the Metropolitan treatment plants indefinitely. Our investments in recycled water and desalinization projects will clearly be negatively impacted if the Metropolitan Board approves the assessment of a surcharge on water not purchased. Treatment costs will ultimately be the financial burden of ratepayers and such an assessment will reduce incentives to conserve and discourage development of more cost-effective water supplies. Further, such an assessment would be unconstitutional. (See *Newhall County Water District v. Castaic Lake Water Agency* (2016) 243 Cal.App.4th 1430.)

April 5, 2016
Page 2

Therefore, on behalf of the Waterworks Districts governed by our Board, I urge the Metropolitan Board to reject the proposed Treatment Rate Design, as presented by Raftelis, on the basis that the proposed Treatment Rate Design will, in the long run, adversely and unfairly affect water rates for many Ventura County residents and discourage long-term water conservation efforts. While we understand that Metropolitan must develop a means for paying off stranded capital, we request that member agency general managers and Metropolitan staff work together and develop an alternative plan. If that is not feasible before the time Metropolitan's new rates must be adopted this year, we strongly support the status quo over the current proposal.

Sincerely,

A handwritten signature in cursive script that reads "Linda Parks".

Linda Parks, Chair
Board of Ventura County Waterworks District Nos. 1, 17, 19, and 38
County of Ventura Board of Supervisors



April 5, 2016

Randy Record
Chairman, Board of Directors
Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, CA 90012

Dear Chairman Record:

The Metropolitan Water District of Southern California is proposing 4 percent overall rate increases for the next two fiscal years in a budget that makes necessary investments to advance supply reliability while remaining sensitive to ratepayers. On behalf of Building Industry Association of Southern California, Inc. (BIASC), I support this proposed budget and its prudent financial approach.

Southern California has survived this record drought without devastating economic consequences because Metropolitan and local water agencies made the necessary investments to capture and store water in wet years for these inevitable dry cycles. The District's conservation programs helped meet Governor Brown's call to reduce urban water use by 25 percent last year with rebates for water saving devices and record funding for turf removal that reduced water demands. Rains in Northern California this year appear sufficient to provide adequate supply for the coming summer, but long-term challenges remain ahead for Southern California and the state.

The proposed budget keeps Metropolitan on solid financial footing by funding the majority of a streamlined list of capital projects on a pay-as-you-go basis. Metropolitan uses realistic projections about the demands for its imported supplies so future revenues will likely cover costs. By proposing to maintain adequate reserves, the District is well positioned to maintain its high credit rating and prevent increased costs on ratepayers through higher lending costs.

The 10-year budget forecast anticipates future rate increases in the 4.5 percent range while investing in a modernization of the State Water Project in Northern California and maintaining sound financial practices. This speaks to the wisdom of steady rate increases, preventing one-time price spikes that can challenge residents and businesses.

Long-term, Southern California must continue to invest in new local supplies and reinvest in the imported supplies from Northern California and the Colorado River that provide the much-needed reserves for drought cycles. The proposed budget reflects this sensible overall water strategy for Southern California. I encourage you to maintain this steady fiscal course for Metropolitan in this budget cycle and the years ahead.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Knorringa".

Mark Knorringa
Chief Executive Officer

24 Executive Park, Suite 100, Irvine, California 92614
949.553.9500 | biasc.org

Baldy View
LA/Ventura
Orange County
Riverside

April 6, 2016

Chairman Randy Record &
Members of the Board of Directors
Metropolitan Water District, Main District HQ
P.O. Box 54153
Los Angeles, CA 90054-0153

RE: Metropolitan Water District (MWD) Board of Directors' meeting, April 12, 2016, Board Action Item 8-1: proposed water rates and charges effective January 2017 and January 2018

Dear Chairman Record & Members of the Board:

It is the San Diego County Apartment Association's (SDCAA) understanding that the Board of Directors will vote on several proposed rate and charge increases on April 12, 2016. The SDCAA respectfully asks that the Board of Directors vote '**no**' on the proposed charges and rates for the San Diego Region. In addition, we ask that the Board make the rate model available to the public and direct MWD staff to produce a new Cost-of-Service Study that conforms to state law.

The SDCAA is concerned that the proposed charge and rate increases and property tax increases will adversely impact our association members and San Diego residents. The recommendations would increase the charge for treated water by 62 percent and increase the charge by 12 percent for untreated water. In addition, San Diego County Water Authority's (SDCWA) 'wheeling' rate will increase by 6.2 percent and its property taxes also will increase by \$112 million in 2017 and 2018. It will be impossible for the SDCWA to absorb all of these increases without at least passing a portion of the increases to businesses and residents.

The SDCAA believes the MWD should not adopt the proposed charges and fees. The proposed charges and fees under consideration are based on the same methodology that has been ruled illegal and invalidated by a Superior Court judge. The judge ruled that MWD's transportation rates for 2011-2014 violated California law and its constitution, MWD may only enact transportation and wheeling rates that are based on what it costs the MWD to provide those services, and that the methodology substantiating the charges and rates follow the letter of the law. We ask that you and the Board of Directors for the reasons described above not adopt the proposed increases for the San Diego Region, and ask MWD staff to perform a new Cost of Service Study according to state law.

Thank you again for the opportunity of considering our comments.

Sincerely,



Alan Pentico
Executive Director

From: Byrne Owens <byrne.m.owens@gmail.com>
Sent: Wednesday, April 06, 2016 10:15 AM
To: Chin,Dawn
Subject: Comment Letter - Rates and Charges for 2017 and 2018 and Suspension of the Ad Valorem Property Tax Rate."

Dear Chair Record:

MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the Board.

- The new fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, ex post facto tax on ratepayers without regard to which agencies have or may benefit from the water treatment facilities MWD chose to build without having any firm commitments from any member agency to use or pay for this service -- which MWD is not legally obligated to provide.
- At the same time it is creating this new fixed charge, claiming that fixed charges are needed by MWD, it is reducing two existing fixed charges without apparent justification.
- **A Superior Court judge has already ruled that MWD's rates are illegal – but MWD is still using the same flawed methodology to misallocate costs among its rates and charges.**
- MWD has refused to make its rate model public, claiming it is a “trade secret.”
- At the same time MWD is raising all of these rates, it is also increasing property taxes. **There is again, no apparent basis for doing so.** This is especially concerning given MWD's history of collecting hundreds of millions more dollars than justified by its budgets or actual costs and its practice of spending that money rather than returning it to ratepayers or setting it aside for later years to avoid more rate increases. Over the past five years alone, MWD has collected \$847 million more than its budgeted costs and has spent even more -- as much as \$1.2 billion on unbudgeted expenses.

I ask that the MWD Board direct its staff to go back to the "drawing board," and produce **lawful** rates that are **based on costs**, as required by law.

Sincerely,
Byrne M. Owens
3270 Rim Rock Circle
Encinitas, CA 92024

From: Ketan Patel <ketan@palaciohotels.com>
Sent: Wednesday, April 06, 2016 10:04 AM
To: Chin,Dawn
Subject: Comment Letter - Rates and Charges for 2017 and 2018

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Randy Record, Chair, and Members of the Board of Directors Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Dear Chair Record:

MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the Board.

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At the same time it is creating this new fixed charge, claiming that fixed charges are needed by MWD, it is reducing two existing fixed charges without apparent justification.

A Superior Court judge has already ruled that MWD's rates are illegal – but MWD is still using the same flawed methodology to misallocate costs among its rates and charges.

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I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

Ketan Patel



San Diego

Ketan T. Patel, CHA | General Manager/Owner Inn #755

P 858.550.4004 | F 858.483.8483

Red Roof Inn #755 • 4545 Mission Bay Drive • San Diego, CA 92109

From: Loryn Johnson <lorynj@sandiego.edu>
Sent: Wednesday, April 06, 2016 9:46 AM
To: Chin,Dawn
Subject: Comment Letter: Rates and Charges for 2017/ 2018

Dear Chair Record:

MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the Board. √ The new fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, ex post facto tax on ratepayers without regard to which agencies have or may benefit from the water treatment facilities MWD chose to build without having any firm commitments from any member agency to use or pay for this service -- which MWD is not legally obligated to provide. √ At the same time it is creating this new fixed charge, claiming that fixed charges are needed by MWD, it is reducing two existing fixed charges without apparent justification.

√ A Superior Court judge has already ruled that MWD's rates are illegal – but MWD is still using the same flawed methodology to misallocate costs among its rates and charges. √ MWD has refused to make its rate model public, claiming it is a “trade secret.” √ At the same time MWD is raising all of these rates, it is also increasing property taxes. There is again, no apparent basis for doing so. This is especially concerning given MWD's history of collecting hundreds of millions more dollars than justified by its budgets or actual costs and its practice of spending that money rather than returning it to ratepayers or setting it aside for later years to avoid more rate increases. Over the past five years alone, MWD has collected \$847 million more than its budgeted costs and has spent even more -- as much as \$1.2 billion on unbudgeted expenses. I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

Loryn Johnson
San Diego, CA 92131

From: Shelley Linde [<mailto:linde.shelley09@gmail.com>]
Sent: Wednesday, April 06, 2016 1:14 PM
To: Chin,Dawn
Subject: OPPOSE RATE CHARGES NORTH COUNTY SAN DIEGO

Dear Chair Record:

MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the Board.

- The new fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, ex post facto tax on ratepayers without regard to which agencies have or may benefit from the water treatment facilities MWD chose to build without having any firm commitments from any member agency to use or pay for this service -- which MWD is not legally obligated to provide.

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I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

Shelley and Peter Linde
3245 Rim Rock Circle, Encinitas 92024

Shelley Linde
Pacific Sotheby's International Realty



VOTED NO. 1 REAL
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I am grateful for all your referrals!

From: Dora Guillen [<mailto:dguillen@wyndhamswsd.com>]
Sent: Wednesday, April 06, 2016 1:49 PM
To: Chin,Dawn
Subject: Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Dear Chair Record:

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I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

Dora Guillen

Director of Sales

Wyndham Garden San Diego Near SeaWorld
3737 Sports Arena Blvd. | San Diego, CA | 92110
direct: (619) 881-6167 | fax: (619) 398-8719

www.wyndham.com/sanmp | dguillen@wyndhamswsd.com

From: Don Dennis [<mailto:ddennis@missionbayhilton.com>]
Sent: Wednesday, April 06, 2016 3:39 PM
To: Chin,Dawn
Subject: Comment Letter - Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Dear Chair Record:

I am writing today to express my concern over the MWD's recommended package of rates, charges and taxes for the next two years. I believe it is deeply flawed and should be rejected by the Board.

- The new fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, ex post facto tax on ratepayers without regard to which agencies have or may benefit from the water treatment facilities MWD chose to build without having any firm commitments from any member agency to use or pay for this service -- which MWD is not legally obligated to provide.
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I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

DON DENNIS | Managing Director

HILTON SAN DIEGO RESORT & SPA
t: +1 619 275 7969 | f: +1 619 275 8932
1775 East Mission Bay Drive | San Diego CA 92109 | United States
hilton.com | sandiegohilton.com | [facebook.com/SANDIEGOHILTON](https://www.facebook.com/SANDIEGOHILTON) | twitter.com/SANDIEGOHILTON

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From: Steve Maschue [<mailto:steve.maschue@gmail.com>]
Sent: Wednesday, April 06, 2016 4:31 PM
To: Chin,Dawn
Subject: Opposed to MWD Proposed Rates & Charges for 2017 and 2018

Dear Chairman Record,


My wife and I object to the proposed package of rates that you are voting on next week. I believe they are unfair for San Diego County residents. Furthermore, from what I understand the proposed rates are not consistent with the current California law.

MWD should make sure that all rationale for rate changes is fully open, with logical explanations. There should be no "trade secrets" involved in providing water. MWD does not have any competition to be protecting secrets.

Please vote this proposal down and develop another one that includes clear, rationale for the changes in pricing.

Thank you

Stephen & Elaine

Maschue 
999 N Pacific #D310
Oceanside CA 92054
Phone 760-216-8017

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***James Unger**
HORNBLOWER CRUISES & EVENTS
Bruce Walton
TERRAMAR RETAIL CENTERS

April 6, 2016

To: dchin@mwdh2o.com

Subject: Proposed Rates and Charges for 2017 and 2018 - OPOSE

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Dear Chair Record:

MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the Board.

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I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

George Palermo, Chairman
San Diego Port Tenants Association

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Douglas Manchester
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***Edward Plant**
***Lee Wilson**

STAFF

Sophie Silvestri
DIRECTOR OF OPERATIONS

***SDPTA Past Chairmen**



April 6, 2016

To: dchin@mwdh2o.com

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

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I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

Advanced Onsite Water

A handwritten signature in black ink, appearing to read "Barbara Bradley", written over a light blue horizontal line.

Barbara Bradley, PE
barbara.bradley@advancedonsitewater.com

Phone: (760) 743-8777

1704 Summit Drive
Escondido, CA 92027-4728

www.advancedonsitewater.com



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Richard W. Hansen, P.E.

April 6, 2016

Mr. Jeff Kightlinger, General Manager
Metropolitan Water District of Southern California

RE: Treatment Rate Options 1a & 1b

Dear Jeff:

I am writing on behalf of Three Valleys Municipal Water District to state we are also concerned about the current structure of the treatment charge and agree changes should be considered, but the focus of these discussions needs to be on reliability.

MWD's fixed treatment costs are 91% of the overall treatment costs. The assumption from our discussions is that these high fixed costs justify more fixed revenues. Revenue stability is a consideration but it is not the significant issue, as MWD will collect either more or less revenue depending on achievement of projected treated water sales. What the focus should be on is how to allocate costs associated with the reliability MWD's treatment infrastructure provides and how to equitably recover these costs from the agencies receiving the reliability benefit.

We do not support Option #1a because it allows an agency to roll off the recovery of any costs, yet the agency still has the reassurance of the MWD system when they have a problem with their local treated water supply. This insurance/reliability factor needs to be recognized in some manner and is the fundamental reason why a change to the treatment charges is being considered. Each agency should pay some fixed-minimum if they have the ability to take water from MWD.

We do not support Option #1b:

- This option does not include a peaking component (3-year max cfs) to recover the fixed demand costs. A 10-year average of annual water purchased does not consider the difference between an agency taking a smooth steady flow (i.e. 1 cfs for 365 days) vs. peaking off the MWD system (i.e. 365 cfs for 1 day). Raftelis stated the peaking component has merit but doesn't change the results much. These decisions shouldn't be based on the monetary differences of various recovery options but on the equity of the methodology. We find the peaking component to be a logical way to recover fixed demand *treatment* costs, just as it is the logical way to recover fixed demand *distribution* costs. If this option is adopted, will the capacity charge also be changed to collect based on a 10-year average?
- An agency shouldn't pay a fixed-minimum in perpetuity if they sever their MWD treatment connections and no longer have the ability to take treated water. This is why Raftelis states adopting this proposal comes with the need for additional discussions as to how long the fixed-minimum should last. These discussions should occur before or in conjunction with a rate change.

While we agree that no methodology is perfect, we cannot support change just for the sake of change. Stating that either option proposed does a better job of equitably recovering costs simply because it recovers some portion on a fixed basis is unreasonable.

We feel there are too many questions still remaining and not enough consideration regarding the unintended consequences these options create, so we suggest staying with the status quo. Our goal is not to derail the work already done but to continue these discussions among the member agencies and MWD staff to reach an equitable methodology that can be implemented for 2018 and beyond.

In addition to the options being presented, these discussions have highlighted one aspect of the current rate structure that we feel needs to be reconsidered. Average flows create commodity costs, not demand costs, and therefore the revenue recovery for demand costs should be the difference between peak and average flows, not peak flows and 0.

We commend MWD staff for continually reinforcing the importance of the treatment cost recovery issue. We value your consideration of our suggestions as you continue the budgetary and rate setting process. Please don't hesitate to contact me regarding any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard W. Hansen". The signature is fluid and cursive, with the first name being the most prominent.

Richard W. Hansen, P.E.
General Manager/Chief Engineer

C: David De Jesus
Gary Breaux



April 6, 2016

To: dchin@mwdh2o.com

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Dear Chair Record:

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I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

Dania Duke
General Manager

MWD 2017/2018 Rate Proposal - Key Points

- MWD's rate increases are a lot higher than MWD says they are
 - Met says its "overall" rate increase is 4%, but that is highly misleading
 - In fact, every individual MWD member agency pays different rates and costs, depending on the MWD services it uses
 - San Diego ratepayers will pay 6.2% higher wheeling rates
 - San Diego ratepayers will pay 12.1% higher cost for raw water
 - San Diego ratepayers could be forced to pay 62% more for treated water bought from MWD -- at the very same time it is buying less treated water from MWD
- MWD claims that the manner in which it sets its rates is a trade secret
 - It has refused to make available to the public or even its own board of directors the financial planning model that shows how it allocates its costs
 - The Water Authority has been forced to file a Public Records Act request in order to obtain this information
 - MWD also refused to provide the public and board members a level of budget detail that would allow them to understand exactly how MWD is proposing to spend money
- MWD has a history of collecting a lot more money than it needs to pay its costs
 - Over the past five years alone, MWD has collected and spent \$847 million more than 100% its actual costs
 - Altogether, MWD has spent more than \$1 billion on unbudgeted expenses
- MWD's proposed rates and charges for 2017 and 2018 are illegal
 - A Superior Court judge has already ruled that MWD's rates are illegal - but MWD is still using the same flawed methodology
 - MWD's methodology forces San Diego residents and businesses to pay water supply costs that should be paid by others
 - MWD is also raising taxes again, even though the California Legislature passed a law intended to limit MWD's ability to impose higher property taxes to situations where its "fiscal integrity" is at stake
 - Having collected \$800 million more than necessary over the past five years, MD can hardly claim that its fiscal integrity is threatened if it doesn't also collect higher taxes
- The Water Authority continues to seek fair and legal rates at MWD
 - After winning two lawsuits challenging MWD rates for the 2011-2014 calendar years, MWD owes the Water Authority and its member agencies more than \$235,000,000 -- which increases by \$45,000 per day or \$16.4 million annually -- until paid
 - The judge also issued a writ of mandate requiring MWD to set lawful rates, but MWD claims it doesn't apply to them until after its appeal is decided
 - See MWDfacts.com for more information on this and other key subjects
- MWD will vote on the illegal rates at its board meeting on April 12

From: Office of the General Counsel
Sent: Thursday, April 07, 2016 5:32 PM
To: Brett R. Barbre (brbarbre@msn.com); Cynthia Kurtz (dirkurtz@gmail.com); De Jesus, David D; Donald Dear (dldear@hotmail.com); Donald Galleano (donald@galleanowinery.com); Fern Steiner (dirsteiner@gmail.com); Fern Steiner (FSteiner@ssvwlaw.com); Glen C. Dake (dirdake@gmail.com); Glen D. Peterson (glenpsop@icloud.com); Gloria Gray (ggrayi@aol.com); Gloria Gray (mwdggray@gmail.com); jabdo@msn.com; Janna Zurita - Compton, City of (dirjzurita@gmail.com); jannaandchanel@yahoo.com; Jesus E. Quinonez (jquinonez@bushgottlieb.com); John T. Morris - MorrisWater@Earthlink.net; John W. Murray Jr. (jmurray@jwmjr.org); Keith Lewinger (preferred) (Keith.Lewinger@gmail.com); Larry Dick ; Larry McKenney (director.mckenney@gmail.com); Laura Friedman (LFriedman@GlendaleCA.GOV); Leticia Vasquez (dirlvasquez@gmail.com); Linda Ackerman (lindaackerman@cox.net); Linda Ackerman (lindaackerman72@gmail.com); Lorraine Paskett (Lorrainepaskett@cambridgelcf.com); Lowenthal #2 Heather Blackmun (Heather.Blackmun@longbeach.gov); Lowenthal, Suja; Marsha Ramos (Dir.mramos@gmail.com); Michael Camacho (dircamacho@gmail.com); Michael Camacho (mcamacho@pacificaservices.com); Michael T. Hogan (solbch1@roadrunner.com); Michael Touhey (touhey@usgvmwd.org); Michele Martinez (councilwomanmartinez@gmail.com); Peter Beard - Fullerton, City of (dirbeard@gmail.com); Peter Beard, Director ; Randy A. Record (preferred) (dirrecord@gmail.com); Richard Atwater (atwater.richard@gmail.com); Robert Apodaca (boba@centralbasin.org); Robert Wunderlich (rwunderlich@discoveryecon.com); Russell Lefevre Ph. D. (r.lefevre@ieee.org); Stephen J. Faessel (Dirfaessel@gmail.com); Steve Blois (sblois@verizon.net); Suja Lowenthal (suja.lowenthal@longbeach.gov); Sylvia Ballin (dirballin@gmail.com); Yen C. Tu (yentu2@gmail.com)
Subject: Information Based on Questions Raised At Finance and Insurance Committee Meetings/Budget and Rates Workshops



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: April 7, 2016
To: Board of Directors
From: Marcia Scully, General Counsel
Subject: Information Based on Questions Raised At Finance and Insurance Committee Meetings/Budget and Rates Workshops

This memorandum provides information to the Board of Directors based on questions directed to the Legal Department by Director Lewinger at recent Finance and Insurance Committee Meetings/Budget and Rates Workshops.

1. Question: Rick Giardina of Raftelis Financial Consultants stated that Metropolitan's service obligation includes providing its member agencies with treated water; is this a legal obligation?

Short Answer: Current Board policy, not the law, obligates Metropolitan to be prepared to provide treated water to its member agencies. This obligation has certain caveats and the Board may change its policy.

Further Information: State law gives Metropolitan the legal right, but not the legal obligation, to provide water for municipal and domestic use (*i.e.*, treated water), and to construct and operate facilities for that function. MWD Act § 130. The Metropolitan Administrative Code sets out Board policy, which the Board may change. Board policy is for Metropolitan to be prepared to provide its service area with adequate supplies of water to meet present and future needs, including for municipal and domestic use (*i.e.*, treated water). Admin. Code §§ 4201, 4202; *see also* Admin. Code §§ 4103, 4401. Board policy further provides that while Metropolitan will endeavor to satisfy all requests for water sales and deliveries by member agencies, this is subject to system and water availability, as well as payment at the rate set by the Board. Admin. Code §§ 4501, 4512.

2. Question: Is there a limitation on how much a member agency may be charged for treatment, compared to what it is paying now, based on a cost of service analysis?

Short Answer: There is not a set legal limitation. The applicable legal standards for Metropolitan's rates, including for treated water, are reasonableness, resulting in revenue which will pay the expenses of the district, and uniform for like classes of service.

Further Information: State law applicable to Metropolitan's rates calls for rates to be reasonable. For example, the California Supreme Court has stated: "Reasonableness . . . is the beginning and end of the judicial inquiry" and courts will not overturn a water rate if there is a reasonable basis such as the "cost of service or some other reasonable basis." *Hansen v. City of San Buenaventura*, 42 Cal.3d 1172, 1180-81 (1986). Applicable state law also provides:

"The Board, so far as practicable, shall fix such rate or rates for water as will result in revenue which, together with revenue from any water stand-by or availability service charge or assessment, will pay the operating expenses of the district, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by the district, and provide for the payment of the interest and principal of the bonded debt subject to the applicable provisions of this act authorizing the issuance and retirement of the bonds. Those rates, subject to the provisions of this chapter, shall be uniform for like classes of service throughout the district."

MWD Act § 134. There are any number of lawful options for rates.

3. **Question:** *Regarding the Water Rate Stabilization Fund, how may funds that are above the target be used under Metropolitan Administrative Code Section 5202(e)?*

Short Answer: Section 5202(e) provides that if the fixed charge coverage ratio is less than 1.2, funds above the target are to be used for capital expenditures, or for the redemption, defeasance, or purchase of outstanding bonds or commercial paper, as determined by the Board. The funds may also be used to pay specified bond obligations and interest on these obligations. If the fixed charge coverage ratio is at 1.2 or higher, funds above the target may be used for any lawful purpose, as determined by the Board.

Further Information: In addition to relying on the language of the Administrative Code, we have reviewed past board letters and this has been Metropolitan's historical interpretation of Section 5202(e). The alternative interpretation suggested by Director Lewinger, that only funds below the target may be used for any lawful purpose, is inconsistent with the text and history of Section 5202(e).

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THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Counsel

VIA FEDERAL EXPRESS

April 7, 2016

Mark J. Hattam, Esq.
General Counsel
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123-1233

Re: Further Response to Public Records Act Request Dated February 18, 2016

Dear Mr. Hattam:

Enclosed is a DVD containing further disclosable Metropolitan records provided in response to San Diego County Water Authority's (SDCWA) February 18, 2016 Public Records Act (PRA) request, to the extent they: (1) are not already posted on Metropolitan's website at www.mwdh2o.com, (2) have not already been provided to the Metropolitan Board of Directors, and/or (3) have not already been provided to SDCWA in response to its prior PRA requests or in connection with the *SDCWA v. MWD* litigation.

This completes Metropolitan's response to the PRA request. As noted in my prior letters, we will post this material online so it is available to all Metropolitan Board members, member agency staff and the public. If any Board member requests, we will also provide the material on a DVD.

Very truly yours,

A handwritten signature in cursive script that reads "Marcia".

Marcia Scully
General Counsel

Enclosure



VALLEY CENTER MUNICIPAL WATER DISTRICT

A Public Agency Organized July 12, 1954

Board of Directors
Gary A. Broomell
President
Robert A. Polito
Vice President
Merle J. Aleshire
Director
Randy D. Haskell
Director
Enrico P. Ferro
Director

April 7, 2016

Mr. Randy Record, Chair
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

Sent via E-mail to: Dchin@mwdh2o.com

Subject: Comments on Proposed MWD Fixed Treatment Charge

Dear Chair Record;

First of all, I want to thank you and the MWD Board for the opportunity to make written and oral comments on the proposed MWD Fixed Treatment Charge. Secondly, I cannot find the words to accurately describe to the MWD Board of Directors the potential total devastation this new rate policy will have on the Valley Center Municipal Water District's domestic and agricultural ratepayers.

For your consideration, I offer the following points:

1. If the charge recommended on March 30, 2016 is adopted by your Board and passed by the SDCWA through to its retail member agencies on the same basis, this new Fixed Treated Water Charge will increase our agencies treatment costs **by at least 77%**, and, **by itself**, will result in a rate increase of 12.0% to our domestic/commercial customers and a 16.6% rate increase to our commercial agricultural customers. ***It is quite likely, that given VCMWD's circumstances, the actual impact could be as much as an order of magnitude higher.***

Further, these rate increase projections ***do not*** include the impacts of other rate increases from the MWD, SDCWA, and any adjustments needed to address local operation and maintenance needs.

2. Not too much imagination is needed to understand that such a massive, one-time water rate increase is not politically sustainable for any locally elected Board of Directors; nor is it economically sustainable for our 1,100 agricultural water customers; customers who have already seen their water rates increase by over 120% since 2007.

3. Between 1998 and 2007, our agency purchased an average of 41,000 AF of treated water annually from the MWD Skinner Filtration Plant. For FY 2016-2017 we are projecting purchasing roughly 19,000 AF.

This precipitous drop ***is not*** because we suddenly found a new treated water source. It is because the cost of our water supply, driven by MWD and SDCWA wholesale water rate increases, has gone up by more than 130% since 2007, and by SWRCB emergency drought regulations; our customers have been forced to reduce water consumption by 36% since June, 2015.

4. The current proposal would have VCMWD assigned this fixed cost apportionment forever, irrespective of how low our actual treated water demand goes in the future. As such, VCMWD will pay for a large share of MWD's fixed treatment costs in perpetuity, while growth agencies, who used less treated water from 1998 to 2007, will pay the lower fixed cost apportionment while they pay the lowered commodity cost as treated water demand grows in the future.

5. With these increases, our agricultural customers will no longer be able to afford the treated water supply **they don't actually need** to grow citrus, avocados, grapes and flowers. They have been forced to take treated water since 1993 because of MWD and SDCWA plumbing, not out of necessity or preference.

"Fairness" and "Efficiency"

On Pages 32 and 33 of your Cost of Service Study, there is discussion about the AWWA standards by which to quantitatively and qualitatively evaluate the soundness of a rate or rate structure. Here are a couple of those qualitative standards:

"Fairness in apportionment of total costs of service among different ratepayers."

It is difficult to argue that having some retail end users see treatment cost go up by as much as 77% (and likely more), while others actually go down in the short and long term, results in "Fairness in the apportionment of cost..."

and;

"Dynamic efficiency in responding to changing supply and demand patterns."

A perpetual fixed treatment charge based on usage patterns starting in 1998 and ending in 2007 does not even approach meeting this standard by any degree.

MWD, Member Agencies and Sub-Agencies Must Remain Viable

It is clear that MWD has excess treated water capacity, at least for an interim period. It is also clear that all member agencies and sub-agencies want MWD to meet its costs, meet debt service coverage ratios, debt service payments and maintain credit ratings; **but not at** the cost of the financial viability of the member agencies and sub-agencies.

Please remember that in many cases (such as with VCMWD), these increased treatment costs are not paid by your member agency, but are simply passed through to retail sub-agencies and ultimately their customers.

Interim Stranded Asset; Not the First Time

MWD has faced a similar interim stranded asset issue in its history. When the Colorado River Aqueduct System was completed in the 1940's, there was far more imported water available than there was demand. Seventy-five years ago, MWD found a better solution to the problem than to just keep raising the price of its water to meet its debt service and operational costs. **To the contrary, MWD used its other financial resource, property taxes, to fill the commodity revenue short-fall into the mid-1970's.** MWD should take the time to consider other alternatives to the water treatment cost issue.

Recommendations

For your thoughtful consideration:

1. After having only 13 days to consider the final MWD staff recommendation for setting the Fixed Treatment Charge, and less than a month after the supporting Cost of Service Study was released, defer adopting this new Fixed Treatment Charge until the rate cycle for 2019 and 2020 allowing sufficient time to consider other alternative solutions;
2. Any Fixed Treatment Charge, if and when adopted, should be based on a more current period of time and then provide the ability to capture dynamic changes in treated water demand among the MWD Member Agencies;
3. Any Fixed Treatment Charge should reflect the declining associated debt obligation and provide "Dynamic efficiency in responding to changing supply and demand patterns;"
4. Consider other revenue sources, such as property taxes or standby-availability charges, to fund the interim short-fall of commodity based treatment revenues;
5. Any new Fixed Treatment Charge should be phased in over a 3 to 5 year period to allow a reasonable time for regional and local adjustment; and
6. Agricultural use of treated water should not be considered in establishing any MWD Fixed Treatment Charge.

Again, we want to express our thanks to the MWD Board of Directors for the opportunity to comment on the proposed Fixed Treatment Charge. We trust that the input from VCMWD, a MWD Sub-agency since 1954, will be given full and serious consideration.

Sincerely;

A handwritten signature in black ink, appearing to read 'Gary Arant', with a stylized flourish at the end.

Gary Arant
General Manager

cc: Jeff Kightlinger, General Manager, MWDSC
Maureen Stapleton, General Manager, SDCWA

-----Original Message-----

From: Elizabeth Dean [<mailto:edean410@gmail.com>]

Sent: Thursday, April 07, 2016 10:39 AM

To: Chin,Dawn

Subject: Comment Letter-Rates and Charges for 2017 and 2018

Dear MWD Board Chair Randy Record,

Please ensure that the MWD makes its rate model public, and produce a cost-of-service study, and ensure that rates and charges conform with state law. We appreciate the work of MWD.

Sincerely,

Elizabeth Dean

16559 Corte Paulina

Poway, CA 92064

Sent from my iPad

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PADRE DAM
Municipal Water District

April 7, 2016

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Via Email to: dchin@mwdh2o.com

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Dear Chair Record:

MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by its Board of Directors for these reasons:

1. A Superior Court judge has already ruled that MWD's rates are illegal - but MWD is still using the same flawed methodology to misallocate costs among its rates and charges.
2. There is no way to know if costs have been allocated legally because MWD has refused to make its rate model public, claiming it is a "trade secret."
3. This is especially concerning given MWD's history of collecting hundreds of millions more dollars than justified by its budgets or actual costs and its practice of spending that money rather than returning it to ratepayers or setting it aside for later years to avoid more rate increases. Over the past five years alone, MWD has collected \$847 million more than its budgeted costs and has spent up to \$1.2 billion on unbudgeted expenses.
4. At the same time it is increasing revenue by suspending the property tax rate, claiming that it is essential to the fiscal integrity of MWD, it is proposing to reduce two existing fixed charges, the Readiness to Serve Charge and the Capacity Charge.
5. The Water Authority has long supported the concept of increasing fixed revenue sources at MWD. However, this new fixed charge was proposed AFTER the public hearing was held, and only 13 days before the board is scheduled to vote on rates. This type of rushed, ad hoc rate-making process does not provide the necessary transparency for public to be informed about the new and impending charge that would have significant impact to their pocketbook.

For these reasons, Padre Dam Municipal Water District, and its board of directors ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law. We also ask that the board hold off on adopting a new fixed treated water charge until its next rate-setting cycle to allow more time for productive analysis and input by member agencies. Also, as MWD begins to implement its Integrated Resource Plan, the board should develop a parallel process for seeking firm, contractual commitments before investing in water supply projects or facilities.

Regards,

Allen Carlisle
General Manager/CEO
Padre Dam Municipal Water District

BOARD OF DIRECTORS
Douglas S. Wilson
Augie Scalzitti
Bill Pommering
August A. Caires
James Peasley

9300 Fanita Parkway
Santee, CA 92071
T 619 448 3111
F 619 449 9469
www.padredam.org
PO Box 719003
Santee, CA 92072-9003

From: LOUISE WINHELD [<mailto:louisenbw@gmail.com>]
Sent: Thursday, April 07, 2016 8:34 AM
To: Chin,Dawn
Subject: Comment Letter - Rates and Charges for 2017 and 2018

Board Chair Randy Record and Dawn Chin, Office of the Board of Directors, Metropolitan Water District:

I am a resident of San Diego.. What I have read about what you have proposed concerning a HIKE in water rates seems outrageous, especially since that raise in rates is inconsistent with the laws that govern MWD. How can you explain your position?

I am one of many people who are living on a fixed income. I also am one of many people who have decreased my water usage over the passed many years because I know that we in Southern California are living in a multi-year drought. So, I abide by various recommendations to limit my water usage. And now you propose that I will have to limit my financial expenditures for water too.

Your proposition is UNLAWFUL and further UNCARING. Why do we in San Diego have to pay more for water than those in Los Angeles? That makes no sense to me.

Please make your rate model public, and produce a cost-of-service study and the rates and charges that conform with state law, and make that study public also.

Thank you

Louise Winheld
17011 Acena Drive
San Diego, CA 92128

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-----Original Message-----

From: Lance Leininger [<mailto:sueannlance@sbcglobal.net>]

Sent: Thursday, April 07, 2016 7:20 AM

To: Chin,Dawn

Subject: Comment Letter-Rates and Charges for 2017 and 2018

Dear Mr. Randy Record,

We am writing with regard to the upcoming vote on water rate increases scheduled April 12. We am opposed to MWD's proposed actions and am asking MWD to make its rate model public. MWD needs to produce a cost-of-service study and rates and charges that conform to current state law. It has been ruled that MWD must charge for its services based only on what it costs to provide them, yet MWD seems poised to adopt illegal rates for two more years.

Thank you.

Sincerely,

Sue Ann and Lance Leininger

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From: joan Szabo [<mailto:joanszabo93@gmail.com>]
Sent: Thursday, April 07, 2016 10:16 AM
To: Chin,Dawn
Subject: Comment Letter - Rates & Charges f0r 2017 & 2018

To: Randy Record, Chair, : We totally reject your new water rates. MWD must charge for its services based on what it costs to send us water Please make your rate model public, show it to us, and charge what conforms with State LAW. Thank you, Mr and Mrs. Joseph Szabo

This communication, together with any attachments or embedded links, is for the sole use of the intended recipient(s) and may contain information that is confidential or legally protected. If you are not the intended recipient, you are hereby notified that any review, disclosure, copying, dissemination, distribution or use of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return e-mail message and delete the original and all copies of the communication, along with any attachments or embedded links, from your system.

April 7, 2016

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054

Dear Chair Record:

MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the Board.

The new fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, ex post facto tax on ratepayers without regard to which agencies have or may benefit from the water treatment facilities MWD chose to build without having any firm commitments from any member agency to use or pay for this service which MWD is not legally obligated to provide.

At the same time it is creating this new fixed charge, claiming that fixed charges are needed by MWD, it is reducing two existing fixed charges without apparent justification.

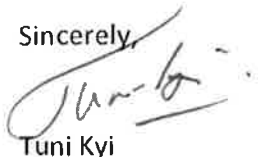
A Superior Court judge has already ruled that MWD's rates are illegal but MWD is still using the same flawed methodology to misallocate costs among its rates and charges.

MWD has refused to make its rate model public, claiming it is a "trade secret."

At the same time MWD is raising all of these rates, it is also increasing property taxes. There is again, no apparent basis for doing so. This is especially concerning given MWD's history of collecting hundreds of millions more dollars than justified by its budgets or actual costs and its practice of spending that money rather than returning it to ratepayers or setting it aside for later years to avoid more rate increases. Over the past five years alone, MWD has collected \$847 million more than its budgeted costs and has spent even more -- as much as \$1.2 billion on unbudgeted expenses.

I ask that the MWD Board direct its staff to go back to the drawing board and produce lawful rates that are based on costs, as required by law.

Sincerely,



Tuni Kyi
General Manager

Marriott Marquis
San Diego Marina
333 West Harbor Drive
San Diego, California 92101 USA
T: 619.234.1500
www.marriott.com/sandt

-----Original Message-----

From: Wes Email [<mailto:wesbrustad@gmail.com>]

Sent: Thursday, April 07, 2016 5:30 PM

To: Chin, Dawn

Subject: Comment Letter--Rates and Charges for 2017 and 2018

Mr. Randy Record
MWD Board Chair

Dear Mr. Record:

I was absolutely shocked when I heard about the increase in water rates you are considering at the MWD. For anyone to raise rates by 62% on any product, commodity or service is only witnessed when dealing with La Cosa Nostra, if even then. No matter the reason, this increase is shameful and hurtful for every rate payer in San Diego County. There can be no justification for this. MWD serves a social community need and is not a normal business entity. In this instance, you and your board—certainly your executives—have lost sight of this mandate.

MWD is proposing to increase property taxes in a manner that is inconsistent with the laws that govern your agency. Moreover, your approach to rates is neither supported by water industry good practice or California law. MWD simply cannot continue to impose rates and charges based on a methodology ruled illegal in superior court last year. Are you above the law?

I ask you to make your rate model public. I also challenge you to produce a cost-of-service study and rates and charges that conform with state law. Anything less than this violates transparency required of public and quasi-public agencies in California.

Stop MWD arrogance. Stop disobeying the law. Step down from the high horse of being above the law.

Frustrated and quite angry about it all,

Wesley Brustad
16237 Arena Place
Ramona, CA 92065

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April 7, 2016

SENT VIA EMAIL TO: dchin@mwdh2o.com

Randy Record, Chair,
Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Dear Chair Record:

The Metropolitan Water District of Southern California (MWD) recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by its Board of Directors for these reasons:

- A Superior Court judge has already ruled that MWD's rates are illegal – but MWD is still using the same flawed methodology to misallocate costs among its rates and charges.
- There is no way to know if costs have been allocated legally because MWD has refused to make its rate model public, claiming it is a “trade secret.”
- The lack of transparency regarding the rate model is especially concerning given MWD's history of collecting hundreds of millions more dollars than justified by its budgets or actual costs and its practice of spending that money rather than returning it to ratepayers or setting it aside for later years to avoid more rate increases. Over the past five years alone, MWD has collected \$847 million more than its budgeted costs and has spent up to \$1.2 billion on unbudgeted expenses.
- MWD's proposes to increase property tax revenue, while reducing two existing fixed charges - the Readiness to Serve Charge and the Capacity Charge. Our agency believes this shifts an unfair portion of costs to our region.
- The San Diego County Water Authority has long supported the concept of increasing fixed revenue sources at MWD. However, this new fixed charge was proposed AFTER the public hearing was held, and only thirteen (13) days before the board is scheduled to vote on rates. This type of rushed, ad hoc rate- making process does not provide the necessary transparency for public to be informed about the new and impending charge that would have significant impact to their pocketbook.

Carlsbad Municipal Water District

5950 El Camino Real | Carlsbad, CA 92008 | 760-438-2722 | 760-431-1601 fax | www.carlsbadca.gov

For these reasons, on behalf of the Carlsbad Municipal Water District, and its Board of Directors, we respectfully ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law. We also ask that the MWD hold off on adopting a new fixed treated water charge until its next rate-setting cycle to allow more time for productive analysis and input by member agencies. Also, as MWD begins to implement its Integrated Resource Plan, the Board should develop a parallel process for seeking firm, contractual commitments before investing in water supply projects or facilities.

Sincerely,

A handwritten signature in cursive script that reads "Wendy Chambers".

Wendy Chambers
General Manager

April 7, 2016

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054

Dear Chair Record:

MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the Board.

The new fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, ex post facto tax on ratepayers without regard to which agencies have or may benefit from the water treatment facilities MWD chose to build without having any firm commitments from any member agency to use or pay for this service which MWD is not legally obligated to provide.

At the same time it is creating this new fixed charge, claiming that fixed charges are needed by MWD, it is reducing two existing fixed charges without apparent justification.

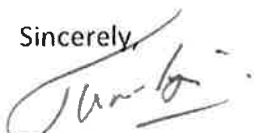
A Superior Court judge has already ruled that MWD's rates are illegal but MWD is still using the same flawed methodology to misallocate costs among its rates and charges.

MWD has refused to make its rate model public, claiming it is a "trade secret."

At the same time MWD is raising all of these rates, it is also increasing property taxes. There is again, no apparent basis for doing so. This is especially concerning given MWD's history of collecting hundreds of millions more dollars than justified by its budgets or actual costs and its practice of spending that money rather than returning it to ratepayers or setting it aside for later years to avoid more rate increases. Over the past five years alone, MWD has collected \$847 million more than its budgeted costs and has spent even more -- as much as \$1.2 billion on unbudgeted expenses.

I ask that the MWD Board direct its staff to go back to the drawing board and produce lawful rates that are based on costs, as required by law.

Sincerely,



Tuni Kyi
General Manager

Marriott Marquis
San Diego Marina
333 West Harbor Drive
San Diego, California 92101 USA
T: 619.234.1500
www.marriott.com/sandt



April 7, 2016

Mr. Randy Record
Chairman
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

Also via e-mail to dchin@mwdh20.com

Subject: Proposed Changes to MWD Treatment Charges

Dear Chair Record:

On behalf of the Board of Directors of the Rainbow Municipal Water District, we want to thank you for the opportunity to comment on the proposed changes to the MWD rates and charges. We are well aware of the challenges all water agencies face when considering how to develop fair and equitable rate structures that both ensure fiscal sustainability and meet the needs of your member agencies.

Of particular concern in this most recent rate structure is how some of the various fixed and variable charges are changing. Further, the opacity and rushed nature of the process raise additional concerns. Along with MWD member agencies across the region, we feel that the rate structure, as proposed, has significant flaws that must be addressed.

First, the proposed rate structure includes reductions in two fixed charges (Readiness to Serve and Capacity) and yet extends the suspension of the property tax limitations including in the MWD Act. It was clear that the Legislature intended MWD to wean itself off of the tax rolls and fund its operations through rates and charges. The RTS and Capacity charges are perfectly viable ways to raise fixed revenues through rates and charges, so we are troubled by the prospect of suspending the legislative limits on property taxation in order to preserve the "fiscal integrity" of the District. To reduce fixed fees while extending property taxation runs counter to your principal act which allows for suspension of the property tax limitations *only* if the MWD Board determines that these taxes are "**..essential to the fiscal integrity of the district.**" (MWD Act Section 124.5) How can MWD claim that extending these property taxes is "essential" when you are reducing fixed charges at the same time? In order to comply with your principal act, you should set the property taxation levels to be within the limits established by the legislature, and set your rates and charges, including fixed charges such as the RTS and Capacity charges, to ensure fiscal integrity. We feel that any action by the Board to approve both the suspension of property tax limits while reducing fixed rates could be unlawful.

Second, a review of recent financial statements from MWD reveal that over the last several years the District has collected over \$800 Million more than was required to cover expenses. This alone should suggest that a review of rates and charges is in order. More troubling are the large unbudgeted expenses that total well over \$1 Billion during the same period. When considering the "fiscal integrity" of the District, we feel that the first step should be to limit unbudgeted expenses to a de minimis level. Surely an agency of MWD's size and administrative capacity should be able to forecast expenses with a much higher degree of accuracy such that large unbudgeted expenses are an exception rather than the rule. It is difficult to explain to our ratepayers that large increases in water costs are justified when the agency that is a major contributor to these costs fails to follow its own budgets. We strongly urge that the District immediately adopt new fiscal controls within your own Administrative Codes that limit

*Chair Randy Record
Metropolitan Water District
April 7, 2016
Page 2*

spending of unbudgeted funds to specific levels or to certain well defined and limited emergency conditions. We think it would be best to be handled by MWD itself rather than at the legislative level, but this sort of activity needs to be prevented from recurring in the future.

Finally, the new fixed water treatment rate could represent a significant change in water costs for many agencies, some positive and some negative. We fully support the concept of a fixed charge for this service as the year-to-year variability of demand makes such a charge appropriate. However, in this current rate setting cycle, relative to the large impacts that will be the result of this change, very little information about this rate was provided to member agencies for review and very little deliberation by the Board has been undertaken. The Cost of Service study was not even released until AFTER the public hearings on the subject and the new fixed treatment charge was only alluded to in PowerPoint presentations just weeks ago. We want to reiterate that we do not oppose the imposition of a fixed charge per se, but we strongly object to the opaque manner in which this charge was developed and the rush to push this new charge through without appropriate review by all parties. As a public agency, your actions should be as transparent as possible, and yet certain aspects of the rate study are being withheld as a "trade secret". We urge you to hold off on adopting a new fixed charge for treatment until the next rate setting cycle so that all member agencies can have a chance to both analyze the impact of the change and provide meaningful input to MWD.

As members of the San Diego Water Authority, we would like to work on ways to end the years long battles over water rates. Even though the courts have decided in our favor on multiple occasions, the use of the courts to resolve issues is not the preferred method to work through those issues. We can only succeed by working together to serve the millions of people that rely on us to do our jobs well. Part of public service is a requirement for transparency and the rate setting process that MWD has undertaken in recent months falls well short of our expectations, and the basic expectations of the public in this regard.

Again, we urge you to both begin a process of increasing the access to information related to the cost of service study as well as delaying the imposition of the fixed treatment charge so that all parties, including the public, can have a chance to review the details and provide substantive input for your consideration.

Sincerely,

RAINBOW MUNICIPAL WATER DISTRICT



Tom Kennedy
General Manager

cc: Rainbow MWD Board of Directors

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Engineering Construction
Civil Engineering
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April 7, 2016

Randy Record, Chair
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Dear Chair Record:

It has come to my attention through the San Diego County Water authority that MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the Board.

- The new fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, ex post facto tax on ratepayers without regard to which agencies have or may benefit from the water treatment facilities MWD chose to build without having any firm commitments from any member agency to use or pay for this service -- which MWD is not legally obligated to provide.
- At the same time it is creating this new fixed charge, claiming that fixed charges are needed by MWD, it is reducing two existing fixed charges without apparent justification.
- A Superior Court judge has already ruled that MWD's rates are illegal – but MWD is still using the same flawed methodology to misallocate costs among its rates and charges.
- MWD has refused to make its rate model public, claiming it is a "trade secret."
- At the same time MWD is raising all of these rates, it is also increasing property taxes. There is again, no apparent basis for doing so. This is especially concerning given MWD's history of collecting hundreds of millions more dollars than justified by its budgets or actual costs and its practice of spending that money rather than returning it to ratepayers or setting it aside for later years to avoid more rate increases. Over the past five years alone, MWD has collected \$847 million more than its budgeted costs and has spent even more -- as much as \$1.2 billion on unbudgeted expenses.

I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,



Scott Free
CEO

Lusardi Construction Company

A.P.E.S.
Access Power Electrical Services
1743 Fire Mountain Dr
Oceanside, Ca 92054

Date April 7th, 2016

MWD Board - Comment Letter Rates and Charges 2017-18

We are oppose to the rate increase as suggested by council, as a small business in San Diego County this decision creates a financial hardship. Not just on water rate increase but also the property tax increase as well. Let it be heard and known we are against all city and county increases.

Michael J Soto
Business Owner

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-01 53

April 7, 2016

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Sincerely,



Harkishan Parekh
9404 Genesee Avenue
Suite 330
La Jolla, CA 92037
(858) 260-6041

MWD 2017/2018 Rate Proposal - Key Points

- MWD's rate increases are a lot higher than MWD says they are
 - Met says its "overall" rate increase is 4%, but that is highly misleading
 - In fact, every individual MWD member agency pays different rates and costs, depending on the MWD services it uses
 - San Diego ratepayers will pay 6.2% higher wheeling rates
 - San Diego ratepayers will pay 12.1% higher cost for raw water
 - San Diego ratepayers could be forced to pay 62% more for treated water bought from MWD -- at the very same time it is buying less treated water from MWD

- MWD claims that the manner in which it sets its rates is a trade secret
 - It has refused to make available to the public or even its own board of directors the financial planning model that shows how it allocates its costs
 - The Water Authority has been forced to file a Public Records Act request in order to obtain this information
 - MWD also refused to provide the public and board members a level of budget detail that would allow them to understand exactly how MWD is proposing to spend money

- MWD has a history of collecting a lot more money than it needs to pay its costs
 - Over the past five years alone, MWD has collected and spent \$847 million more than 100% its actual costs
 - Altogether, MWD has spent more than \$1 billion on unbudgeted expenses

- MWD's proposed rates and charges for 2017 and 2018 are illegal
 - A Superior Court judge has already ruled that MWD's rates are illegal - but MWD is still using the same flawed methodology
 - MWD's methodology forces San Diego residents and businesses to pay water supply costs that should be paid by others
 - MWD is also raising taxes again, even though the California Legislature passed a law intended to limit MWD's ability to impose higher property taxes to situations where its "fiscal integrity" is at stake
 - Having collected \$800 million more than necessary over the past five years, MD can hardly claim that its fiscal integrity is threatened if it doesn't also collect higher taxes

- The Water Authority continues to seek fair and legal rates at MWD
 - After winning two lawsuits challenging MWD rates for the 2011-2014 calendar years, MWD owes the Water Authority and its member agencies more than \$235,000,000 -- which increases by \$45,000 per day or \$16.4 million annually -- until paid
 - The judge also issued a writ of mandate requiring MWD to set lawful rates, but MWD claims it doesn't apply to them until after its appeal is decided
 - See MWDfacts.com for more information on this and other key subjects

- MWD will vote on the illegal rates at its board meeting on April 12

Board of Directors

David A. Drake, President
Diana L. Towne, Vice President
James B. Murtland, Treasurer
Dr. Gregory R. Quist, Director
Erin R. Lump, Director



*A Public Agency Serving the
Greater Escondido Valley Since 1954*

General Manager

Greg Thomas

General Counsel

Redwine and Sherrill

April 7, 2016

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

To: dchin@mwdh2o.com

Dear Chair Record:

This letter is written in opposition to MWD's recommended package of rates, charges and taxes for the next two years that is being considered at the April Board meetings. Rincon del Diablo, as a member agency of the San Diego County Water Agency, thus a recipient of MWD water, believes that the proposed increase and methodology for increasing rates and charges is flawed and should be rejected by the Board of Directors for these reasons:

- The development of these rates, charges and taxes have not been developed in a completely open and transparent process, and have been developed with little to no time for adequate analysis and review.
- From the limited information provided by this process, retail agencies such as ours, which are reliant on our wholesalers for all our treated water, are faced with a significant increase in treated water rates. The proposed 10-year period for fixed treatment charge or another period, whichever is greater, does not meet the basis of properly developing water rates based on cost principles.
- A Superior Court judge has already ruled that MWD's rates are illegal but MWD is still using the same flawed methodology to misallocate costs among its rates and charges.
- As any water agency, we have long supported the concept of increasing fixed revenue sources to cover fixed costs. However, this new fixed charge was proposed AFTER the public hearing was held, and only 13 days before the board is scheduled to vote on rates. This type of rushed, ad hoc rate-making process does not provide the necessary transparency for public to be informed about the new and impending charge that would have significant impact to their pocketbook.

For these reasons, on behalf of Rincon del Diablo Municipal Water District, its Board of Directors and its ratepayers, I request that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law. We also ask that

Chair Randy Record
April 7, 2016
Page 2 of 2

the board hold off on adopting a new fixed treated water charge until its next rate-setting cycle to allow more time for productive analysis and input by member agencies.

I can be reached at 760-745-5522 ext 606 or ddrake@rinconwater.org for any further comments or discussions.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Drake', written in a cursive style.

David Drake
President, Board of Directors

Cc: Rincon Water Board of Directors



VALLEY CENTER MUNICIPAL WATER DISTRICT

A Public Agency Organized July 12, 1954

Board of Directors
Gary A. Broomell
President
Robert A. Polito
Vice President
Merle J. Aleshire
Director
Randy D. Haskell
Director
Enrico P. Ferro
Director

April 7, 2016

Mr. Randy Record, Chair
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

Sent via E-mail to: Dchin@mwdh2o.com

Subject: Comments on Proposed MWD Fixed Treatment Charge

Dear Chair Record;

First of all, I want to thank you and the MWD Board for the opportunity to make written and oral comments on the proposed MWD Fixed Treatment Charge. Secondly, I cannot find the words to accurately describe to the MWD Board of Directors the potential total devastation this new rate policy will have on the Valley Center Municipal Water District's domestic and agricultural ratepayers.

For your consideration, I offer the following points:

1. If the charge recommended on March 30, 2016 is adopted by your Board and passed by the SDCWA through to its retail member agencies on the same basis, this new Fixed Treated Water Charge will increase our agencies treatment costs **by at least 77%**, and, **by itself**, will result in a rate increase of 12.0% to our domestic/commercial customers and a 16.6% rate increase to our commercial agricultural customers. ***It is quite likely, that given VCMWD's circumstances, the actual impact could be as much as an order of magnitude higher.***

Further, these rate increase projections **do not** include the impacts of other rate increases from the MWD, SDCWA, and any adjustments needed to address local operation and maintenance needs.

2. Not too much imagination is needed to understand that such a massive, one-time water rate increase is not politically sustainable for any locally elected Board of Directors; nor is it economically sustainable for our 1,100 agricultural water customers; customers who have already seen their water rates increase by over 120% since 2007.

3. Between 1998 and 2007, our agency purchased an average of 41,000 AF of treated water annually from the MWD Skinner Filtration Plant. For FY 2016-2017 we are projecting purchasing roughly 19,000 AF.

This precipitous drop ***is not*** because we suddenly found a new treated water source. It is because the cost of our water supply, driven by MWD and SDCWA wholesale water rate increases, has gone up by more than 130% since 2007, and by SWRCB emergency drought regulations; our customers have been forced to reduce water consumption by 36% since June, **2015**.

4. The current proposal would have VCMWD assigned this fixed cost apportionment forever, irrespective of how low our actual treated water demand goes in the future. As such, VCMWD will pay for a large share of MWD's fixed treatment costs in perpetuity, while growth agencies, who used less treated water from 1998 to 2007, will pay the lower fixed cost apportionment while they pay the lowered commodity cost as treated water demand grows in the future.

5. With these increases, our agricultural customers will no longer be able to afford the treated water supply **they don't actually need** to grow citrus, avocados, grapes and flowers. They have been forced to take treated water since 1993 because of MWD and SDCWA plumbing, not out of necessity or preference.

"Fairness" and "Efficiency"

On Pages 32 and 33 of your Cost of Service Study, there is discussion about the AWWA standards by which to quantitatively and qualitatively evaluate the soundness of a rate or rate structure. Here are a couple of those qualitative standards:

"Fairness in apportionment of total costs of service among different ratepayers."

It is difficult to argue that having some retail end users see treatment cost go up by as much as 77% (and likely more), while others actually go down in the short and long term, results in "Fairness in the apportionment of cost..."

and;

"Dynamic efficiency in responding to changing supply and demand patterns."

A perpetual fixed treatment charge based on usage patterns starting in 1998 and ending in 2007 does not even approach meeting this standard by any degree.

MWD, Member Agencies and Sub-Agencies Must Remain Viable

It is clear that MWD has excess treated water capacity, at least for an interim period. It is also clear that all member agencies and sub-agencies want MWD to meet its costs, meet debt service coverage ratios, debt service payments and maintain credit ratings; **but not at** the cost of the financial viability of the member agencies and sub-agencies.

Please remember that in many cases (such as with VCMWD), these increased treatment costs are not paid by your member agency, but are simply passed through to retail sub-agencies and ultimately their customers.

Interim Stranded Asset; Not the First Time

MWD has faced a similar interim stranded asset issue in its history. When the Colorado River Aqueduct System was completed in the 1940's, there was far more imported water available than there was demand. Seventy-five years ago, MWD found a better solution to the problem than to just keep raising the price of its water to meet its debt service and operational costs. **To the contrary, MWD used its other financial resource, property taxes, to fill the commodity revenue short-fall into the mid-1970's.** MWD should take the time to consider other alternatives to the water treatment cost issue.

Recommendations

For your thoughtful consideration:

1. After having only 13 days to consider the final MWD staff recommendation for setting the Fixed Treatment Charge, and less than a month after the supporting Cost of Service Study was released, defer adopting this new Fixed Treatment Charge until the rate cycle for 2019 and 2020 allowing sufficient time to consider other alternative solutions;
2. Any Fixed Treatment Charge, if and when adopted, should be based on a more current period of time and then provide the ability to capture dynamic changes in treated water demand among the MWD Member Agencies;
3. Any Fixed Treatment Charge should reflect the declining associated debt obligation and provide "Dynamic efficiency in responding to changing supply and demand patterns;"
4. Consider other revenue sources, such as property taxes or standby-availability charges, to fund the interim short-fall of commodity based treatment revenues;
5. Any new Fixed Treatment Charge should be phased in over a 3 to 5 year period to allow a reasonable time for regional and local adjustment; and
6. Agricultural use of treated water should not be considered in establishing any MWD Fixed Treatment Charge.

Again, we want to express our thanks to the MWD Board of Directors for the opportunity to comment on the proposed Fixed Treatment Charge. We trust that the input from VCMWD, a MWD Sub-agency since 1954, will be given full and serious consideration.

Sincerely;

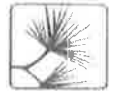
A handwritten signature in black ink, appearing to read "Gary Arant". The signature is stylized with a large, sweeping "G" and "A".

Gary Arant
General Manager

cc: Jeff Kightlinger, General Manager, MWDSC
Maureen Stapleton, General Manager, SDCWA



City of Del Mar



April 7, 2016

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Re: Letter of Opposition to Proposed MWD Rates, Charges and Taxes

Dear Chair Record:

The City of Del Mar would like to express its strong opposition to MWD's proposed water rates, charges and taxes for the next two years. It is presented without any cost-of-service justification and should be rejected by the Board. While MWD states that its overall rate of increase is four percent, San Diego County ratepayers will pay 6.2 percent higher wheeling costs, and 12.1 percent higher costs for raw water, and an amazing 62 percent higher cost for treated water despite significantly reducing its treated water demand from MWD. The new fixed charge for treated water apportions this charge on an obsolete base period that does not reflect current treated water demands, and penalizes those member agencies such as the San Diego County Water Authority (SDCWA) which have invested heavily water treatment facilities.

As a member agency of SDCWA, the City of Del Mar receives a detailed cost of service report as a part of every proposed rate adjustment, and the SDCWA Long-Range Financing Plan describes the rate setting methodology in considerable detail. In contrast, the opacity of the MWD rate-setting process, and its obvious unfairness is appalling. As MWD ratepayers, we have virtually no information on how MWD creates its rates, or how it will spend our ratepayer money. Similarly, we find that without cost-of-service justification, the proposed increase in property taxes is without basis.

We are dismayed to learn that despite the Superior Court ruling that MWD's rates are illegal, that MWD is still using the same flawed methodology to misallocate costs among its rates and charges, overcharging San Diego's ratepayers with transportation rates which include supply components which should be charged on the supply rate.

We request that MWD Board defer action on rates and charges until it produces a cost-of-service study, and creates rates which are based upon costs, as required by law.

Sincerely,

Sherryl Parks
Mayor

Rate increases needed to meet water needs

By Jeffrey Kightlinger | 10 a.m. April 8, 2016

Editor's Note: *In 1991, unhappy with how its supplies had been sharply cut by the Metropolitan Water District of Southern California during a harsh drought, the San Diego County Water Authority set out to diversify its sources of water. The MWD and the county authority have been battling ever since. The giant water wholesaler depicts the authority as pursuing costly, irrational, unnecessary policies. The authority depicts the MWD as capricious and vengeful in how it treats San Diego County in water pricing and in allocating water system costs. Now a new fight has begun over policies the MWD may soon adopt.*

Like other financially sound organizations, the Metropolitan Water District of Southern California has a robust budget process that provides fiscal stability while addressing current needs and long term objectives. This approach has resulted in the kind of essential investments to ensure the Southland has had reliable water supplies during this historic drought and prevented untold regional economic hardship — projects such as new water storage, local supply development, conservation rebates and innovative technologies.

Over the years, many of these initiatives were supported by the San Diego County Water Authority representatives on our board, though some were not.

Today, Metropolitan is nearing the completion of a months long public process to craft its next two-year budget. To meet future needs, we are proposing overall 4 percent rate increases for the next two years and projecting increases in the 4.5 percent range in the subsequent eight years.

This steady approach has the interests of local communities in mind. For example, Metropolitan is counting on more local water supplies and more conservation to meet the region's needs. Local solutions allow more of the supplies imported from the Colorado River and Northern California to replenish reservoirs and groundwater basins and prepare for future droughts. Keeping our rate increases modest, as is planned, will also create the financial opportunity for cities such as San Diego and projects such as Pure Water to move forward. Keeping Metropolitan on a strong financial footing will prevent sudden spikes in rates that can disrupt local projects.

A dispute between SDCWA and Metropolitan over the Metropolitan's rate structure awaits resolution at the appellate court level. But in the meantime, this proposed two-year budget reflects good-faith efforts to make progress at a statewide, regional and local level. Here are some examples:

Conservation: Never before has California's governor called on each city to lower water use, but when that happened last year, Metropolitan stepped forward with the nation's largest rebate program for turf removal. While SDCWA representatives voted against this plan, it proved wildly popular with San Diego County residents and businesses. Thousands transformed their yards thanks to this program — even the head of SDCWA's board's finance committee.

Drought water acquisitions: Metropolitan had some unexpected opportunities to shore up supplies during the drought. One was to purchase land in the Palo Verde Valley near Blythe with senior Colorado River water rights. Another was to utilize Colorado River supplies not currently needed by southern Nevada communities. Neither opportunity was predicted earlier in the budget process, but both investments were supported by our board, including SDCWA board members. Going forward, here are some of the key issues in the proposed two-year budget:

Four percent overall: Every water district has various cost drivers — electricity to move water, capital costs for repairs, and costs to buy, transport and treat water. Metropolitan's rates are the same for all customers. There is nothing unusual or underhanded in how the percentage increase varies for the different rate components. Overall, it is a 4 percent rate hike.

Water treatment: Southern California finds itself with significantly more capacity to treat water to drinking standards than there is demand. Conservation is one reason. Another is that SDCWA and other local communities chose to build or expand their own treatment facilities. At the moment, charges for treatment costs are paid by those agencies currently using Metropolitan's five plants on a proportional basis. Other considerations — such as payments for past investments to construct and upgrade these facilities, or the ability for agencies to use these plants at peak times — are not factored into the rate structure. There are many ideas being discussed to cover the costs of maintaining these facilities and retiring their debt. This is a decision our board will soon make.

Northern California supplies: Pumping restrictions in the Sacramento-San Joaquin Delta are constraining the statewide system's ability to capture more of this additional water to serve farms, communities and replenish Southland reserves for drought years. The proposed state-federal California WaterFix process seeks to solve this problem by modernizing the system with a twin tunnel pipeline system. It is possible to make this investment while keeping rate increases in the 4.5 percent range annually, but that is a future board decision.

In the coming weeks, Metropolitan and its board of directors will be making important budget decisions to help meet the region's future water needs with vision and fiscal responsibility. It is important we do so with a sense of common purpose.

Kightlinger is general manager of the Metropolitan Water District of Southern California.

Agency needs transparency before raising rates

By Mark Weston | 10 a.m. April 8, 2016

Editor's Note: *In 1991, unhappy with how its supplies had been sharply cut by the Metropolitan Water District of Southern California during a harsh drought, the San Diego County Water Authority set out to diversify its sources of water. The MWD and the county authority have been battling ever since. The giant water wholesaler depicts the authority as pursuing costly, irrational, unnecessary policies. The authority depicts the MWD as capricious and vengeful in how it treats San Diego County in water pricing and in allocating water system costs. Now a new fight has begun over policies the MWD may soon adopt.*

Few people would be shocked to learn that the Los Angeles-based Metropolitan Water District is once again preparing to raise water rates and property taxes for the next two years, given its history of similar increases. What alarms me most is that Metropolitan is doing so using methodology that a state Superior Court judge has ruled illegal to collect money that it does not need using a process that lacks public transparency.

The latest result is a proposal that would increase the cost of untreated water by at least 12 percent for San Diego County in 2017. Met also has proposed a new fixed charge that would force San Diego County ratepayers to pay as much as 62 percent more for treated water.

The Water Authority buys about half of its water from the Los Angeles water wholesaler, and our representatives to Met's board have championed fair and legal rates for years even though Met refuses to listen. On Tuesday, the Met board is scheduled to vote on rates and charges for 2017 and 2018.

State law requires all information to be released at least 30 days before new rates are adopted. Metropolitan has refused to comply, claiming that law does not apply to it, even though the Superior Court has ruled that it does. Metropolitan also says it has released hundreds of pages of information about its rate proposals. However, most of the documents were released after the agency's public hearing on its rate and tax proposals was already closed. How can the public and water agencies such as the Water Authority have a meaningful opportunity to review and comment when the rate proposals and the supporting data are not available before the public hearing?

Metropolitan still refuses to release its rate model, which is essential to water agencies and the public for tracking how Met allocates its costs and sets its rates. Metropolitan — a public agency — claims this information is a “trade secret” and “proprietary.” The Water Authority was forced to file a California Public Records Act

request to try to obtain this critical and basic information, but Metropolitan has dragged its feet to ensure this information will not be public before the April 12 meeting.

Even without the rate model, it's clear that Metropolitan does not need to keep raising rates and collecting additional property taxes (estimated at \$111 million). Over the past four years, Metropolitan has collected almost \$850 million more than necessary to pay all of its budgeted costs. Then, Metropolitan went on a \$1.2 billion spending spree, adding \$500 million of new debt in the process. Among these unbudgeted expenditures was almost \$400 million spent on landscaping private homes and golf courses during its turf removal program, something Los Angeles Controller Ron Galperin found was an inefficient "gimmick."

Complicating Metropolitan's transparency and overspending issues is the fact that the agency continues to ignore a November 2015 court ruling that its rates are illegal because it charges more than the actual cost of the services it is providing. This illegal scheme includes shifting costs to San Diego County residents that should be paid by customers elsewhere in Southern California.

The judge mandated that MWD "[e]nact only legal transportation and wheeling rates in the future" and "set its rates based upon cost causation — that is, MWD must charge for its services based only on what it costs to provide them."

Metropolitan's response to the court ruling has been business as usual, as it continues to insist it can charge anything it wants. This arrogance comes at a high price to taxpayers and water ratepayers — not just in San Diego County, but across Met's six-county service area. The judge ordered Metropolitan to pay the Water Authority \$188.3 million in damages and \$46.6 million in prejudgment interest, plus attorney's fees.

Please join me in asking the Metropolitan board to reject the rate increase proposal on Tuesday, and restart its rate-setting process in a way that is transparent, accountable and complies with state law.

You can go to the Water Authority's website MWDfacts.com and click on "Speak Out" to share your concerns with the Metropolitan board.

Weston is board chair of the San Diego County Water Authority.



The Case for Higher Water Rates

ARTICLE SUMMARY

Metropolitan Water District is proposing overall rate increases of 4 percent for each of the next two years. There is local opposition and calls for a delay or no rate increase. But strong financial practices at Metropolitan are essential to maintaining the backbone of the region's water infrastructure.

By Meena Westford | April 8, 2016 12:00pm

Just about every year, the San Diego County Water Authority uses ratepayer funds to bus local citizens to the Metropolitan Water District of Southern California's final budget meeting in downtown Los Angeles. They are customers who have ended up with some unfortunate misimpressions about Metropolitan's financial practices and proposed budget, and they come to urge Metropolitan to collect less revenue than what is proposed. And then the bus goes home.

As a 20-year San Diego resident, San Diego State alum and Metropolitan's lone representative in San Diego, I welcome the opportunity to explain why Metropolitan plays a vital role in the community as the provider of imported water for a region serving 19 million Southern Californians in six counties, including San Diego County.

Metropolitan has been developing its next two-year budget over many months – multiple workshops, hundreds of pages of detailed financial information, all public and all transparent. Decision day this year is April 12. Metropolitan is proposing overall rate increases of 4 percent for each of the next two years and projecting annual increases of 4.5 percent for the rest of the coming decade. But there is local opposition and calls for a delay or no rate increase. I'd like to share why strong financial practices at Metropolitan are essential to maintaining the backbone of the region's water infrastructure.

Paying for capital projects: Metropolitan plans to use cash on hand to pay 60 percent of the costs for capital projects over the coming decade. SDCWA, as a comparison, plans to use cash for only 30 percent of its future capital costs. This is a purely local decision, and Metropolitan fully respects how water districts establish their own financial strategies. For Metropolitan, relying too heavily on the credit card would have long-term consequences. It seems like a bad idea.

Paying off the credit card: Metropolitan seeks to have on hand twice the net revenues (annual operating revenues minus annual operating costs) to meet its debt obligations. It helps to assure that Metropolitan can borrow money at low rates. SDCWA's goal for adequate revenues in this regard is basically half that. For Metropolitan, shaving budgets too closely would have potentially expensive long-term impacts for ratepayers. It seems like a bad idea.

Avoiding ballooning debt payments: Metropolitan is not proposing to borrow money in ways that have lower payments today in exchange for higher payment obligations for future generations. SDCWA opted to significantly shift costs into the future with the new desalination facility in Carlsbad by having the equivalent of a mortgage payment that goes up every year. This move appears to have increased local costs long term by roughly \$200 million due to higher payments in future years. That's a purely local decision. For Metropolitan, avoiding a rate increase today would mean a bigger rate increase in the future. It seems like a bad idea.

Maintaining fund balances: Water districts have various funds for various needs. Metropolitan is projecting its fund balances to remain adequate and be modestly higher in 10 years. SDCWA is projecting its fund balances to be modestly lower. For Metropolitan, avoiding a necessary rate increase would lead to draining the checking account. It seems like a bad idea.

Meeting targets for reserves: Metropolitan has a baseline target and a maximum target for maintaining reserves. So does SDCWA. Metropolitan is projecting to have reserves on hand sufficient to meet its baseline target for the next 10 years. SDCWA is projecting to miss its minimum rate stabilization fund target in coming years. For Metropolitan, failing to meet a minimum reserve target would be a big red flag to lending institutions and credit-rating agencies. It seems like a bad idea.

Metropolitan fully understands the need to keep costs down so that local projects such as San Diego's Pure Water can advance. If tradition holds true, another bus is about to head from San Diego to Metropolitan headquarters next week. I hope the passengers will consider that there are real reasons why some ideas, no matter how well-intentioned, have financial implications that feel too risky for Metropolitan. I fully expect that 20 years from now, when my son is (hopefully) out of college, Metropolitan is as reliable and affordable a water provider for my hometown as it is today.

Meena Westford is a special projects manager for the Metropolitan Water District of Southern California and represents the district in the San Diego region.



April 8, 2016

Mr. Randy Record
Chairman, Board of Directors
Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, CA 90012

RE: Support for Rate Increases

Dear Chairman Record:

Established in 1924, the Central City Association (CCA) is Los Angeles' premier business advocacy organization, with 450 members employing over 350,000 people in the Los Angeles region. CCA supports the staff budget recommendations in order to make necessary investments to advance supply reliability while remaining sensitive to ratepayers.

Southern California has survived this record drought without devastating economic consequences because Metropolitan and local water agencies made the necessary investments to capture and store water in wet years for these inevitable dry cycles. You are to be commended. MWD's conservation programs helped meet Governor Brown's call to reduce urban water use by 25 percent last year. Rains in Northern California this year have helped relieve some of the problems, but long-term challenges remain ahead for the region and the state.

CCA supported the Los Angeles Department of Water & Power's recent rate increases because of the Department's need to improve reliability and increase maintenance and replacement of aging infrastructure. The need is there. Similarly, MWD must meet its customers' needs through some purchases of imported water and it must continue to pay its fixed costs. We understand that Metropolitan uses realistic projections about the demands for its imported supplies so future revenues will likely cover costs. And by proposing to maintain adequate financial reserves, the District is well positioned to maintain its high credit rating and prevent increased costs on ratepayers through higher lending costs.

The 10-year budget forecast anticipates future rate increases in the 4.5 percent range while investing in a modernization of the State Water Project and maintaining sound financial practices. Businesses need to plan, therefore these steady rate increases prevent one-time price spikes that can challenge residents and businesses.

Southern California must continue to reduce our per-capita water use, invest in new local supplies and reinvest in the imported supplies that provide the much-needed reserves for drought cycles. The proposed budget reflects this sensible overall water strategy for Southern California. I encourage you to maintain this steady fiscal course and support this budget now and in the years ahead.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carol Schatz".

Carol Schatz
President & CEO



**COUNCILMEMBER
DAVID ALVAREZ**

CITY OF SAN DIEGO

April 8, 2016

Randy Record, Chair,
and Members of the Board of Directors
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054-0153

Subject: Proposed Rates and Charges for 2017 and 2018 - OPPOSE

Dear Chair Record:

The MWD board is scheduled to vote April 12 on a rate proposal that would increase the cost of treated water for the San Diego region in the next year by 62% and increase the cost of untreated water by 12%. The proposed methodology increases San Diego County's costs while lowering costs for Los Angeles. This is unfair and puts our local economy at risk.

The City of San Diego sharply raised rates last year, which is affecting residents and businesses in a major way. In 2016 alone, rates will rise for City residents by 16%, followed by an additional 6.4% in 2017, 5% in 2018 and 7% in 2019. If the proposed package of rates is approved by the MWD Board, City of San Diego customers would be burdened with additional costs that could result in future rate increases, and seriously impact customer's ability to pay their bills. I am deeply concerned that this unfair and unbalanced rate increase will jeopardize San Diego's economy, while providing no extra benefit to our region.

MWD's recommended package of rates, charges and taxes for the next two years is deeply flawed and should be rejected by the Board.

- The new fixed charge for treated water uses a base period that cannot be supported based on cost of service. The charge also imposes a permanent, ex post facto tax on ratepayers without regard to which agencies have or may benefit from the water treatment facilities MWD chose to build without having any firm commitments from any member agency to use or pay for this service -- which MWD is not legally obligated to provide.
- At the same time it is creating this new fixed charge, claiming that fixed charges are needed by MWD, it is reducing two existing fixed charges without apparent justification.
- A Superior Court judge has already ruled that MWD's rates are illegal – but MWD is still using the same flawed methodology to misallocate costs among its rates and charges.
- MWD has refused to make its rate model public.



- At the same time MWD is raising all of these rates, it is also increasing property taxes. There is again, no apparent basis for doing so.

I ask that the MWD Board direct its staff to go back to the "drawing board," and produce lawful rates that are based on costs, as required by law.

Sincerely,

A handwritten signature in cursive script that reads "David Alvarez".

David Alvarez
San Diego Councilmember
Council District 8

From: Gary Arant [<mailto:GARant@vcmwd.org>]
Sent: Friday, April 08, 2016 9:40 AM
To: Chin,Dawn
Cc: Jkightlinger@mwdh20.com; Maureen Stapleton (mstapleton@sdcwa.org); Cushman, Dennis
Subject: Revised Letter of Comment - MWD Fixed Treatment Charge

Ms. Chin;

We found an error at the very bottom of the first of our original comment letter sent to you yesterday. The date at the bottom was referred to was "June, 2016," and it has now been corrected to "June, 2015."

Could you please distribute this corrected copy of our letter of comment, rather than, or in addition to the original letter sent to your offices yesterday.

Our apologies for any inconvenience and our thanks in advance for your assistance.

Gary Arant
General Manager
Valley Center Municipal Water District
(760) 735-4515 (Direct Office Line)
(760) 522-4024 (Cell)
garant@valleycenterwater.org

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From: SimplyLifeHealing [<mailto:simplylifehealing@gmail.com>]
Sent: Friday, April 08, 2016 8:43 AM
To: Chin,Dawn
Subject: Comment letter to rate increase and charges

Simply Life Healing
Dr. Traci Wilson-Soto
1743 Fire Mountain Dr
Oceanside, Ca 92054

Date April 7th, 2016

MWD Board - Comment Letter Rates and Charges 2017-18

We are oppose to the rate increase as suggested by council, as a small business in San Diego County this decision creates a financial hardship. Not just on water rate increase but also the property tax increase as well. Let it be heard and known we are against all city and county increases.

Dr. Traci Wilson-Soto
Business Owner

Dr. Traci Wilson-Soto
SimplyLifeHealing

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From: David Rowntree [<mailto:rowntree@dslextreme.com>]
Sent: Friday, April 08, 2016 1:47 PM
To: Chin,Dawn
Subject: "Comment Letter-Rates and Charges for 2017 and 2018."

I am against the illegal water rates increases and any property tax increases.

David Rowntree San Diego 92128

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