



December 2, 2020

Gloria Gray, Chair
Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, CA 90012

RE: Opposition to Metropolitan Providing Additional, Unbudgeted Spending for the Delta Conveyance Project and Urging 12 Month Delay

Dear Chairwoman Gray and Members of the Board:

On behalf of the Natural Resources Defense Council and NRDC Action Fund, which has more than 3 million members and activists, 450,000 of whom are Californians, I am writing to oppose the Metropolitan Water District of Southern California providing additional, unbudgeted funding for the potential Delta Conveyance project. In light of the significant economic hardships facing households in Metropolitan's service area, as well as the uncertainty facing the project in light of the change in federal Administration and Metropolitan's ongoing update of its Integrated Regional Plan, NRDC urges the Board of Directors to postpone a decision on whether to provide funding for 12 months, at which time Metropolitan can reassess the costs and benefits in light of a completed IRP and hopefully an improved economy in the region.

Metropolitan's approved budget already includes a total of \$50 million for Delta Conveyance planning costs for FY20 and FY21. Metropolitan's \$50 million allocation appears to be more than all other State Water Project contractors combined will contribute to the planning costs for this project over the next two years, despite the fact that Metropolitan accounts for less than half of the total State Water Project Table A amounts. Increasing spending for this project beyond the budgeted amount will require Metropolitan to raise rates, reduce reserves, or make other budget cuts¹ at a time when significant numbers of households in the Metropolitan service area are facing financial challenges. Given the water affordability crisis facing many households in the region (particularly with the expiration of protections against water shutoffs), now is not the time to increase water rates by dedicating additional funding for this project. In contrast, delaying this decision for 12 months could allow for a small rate cut this year.

¹ Metropolitan staff have claimed that this additional cost could be covered in part using the \$34.0 Million refund of prior WaterFix planning costs, but this is not free money that could be spent without additional budget cuts, reductions in reserves, or increased rates. In its June 9, 2020 official statement for water revenue bonds Metropolitan reported that it requested the refund on June 27, 2019 and that in December 2019 Metropolitan received \$34.4 million from DWR. Metropolitan has subsequently reported this money as "other assets" in its quarterly financial statement. This revenue should already be accounted for in Metropolitan's budget.

In addition to protecting ratepayers in the near term, delaying this decision for 12 months will help to align internal and external processes that affect this potential multi-billion dollar project. Metropolitan is in the process of significantly revising and updating its Integrated Resources Plan (IRP), which is supposed to guide Metropolitan's investments and plans for water infrastructure for the coming decades. IRP modeling suggests a high likelihood of significantly lower demand for imported water through the year 2045, while Metropolitan and its member agencies are making significant investments in sustainable regional water supply projects like Pure Water San Diego and the Regional Recycling Project. These projects will create a more drought resistant and resilient water supply, while also supporting good paying jobs in the Metropolitan service area. Similarly, the State Water Resources Control Board is continuing to update water quality standards for the Bay-Delta, and modeling by the State Water Contractors indicates that updated Delta water quality standards similar to those proposed by the State Water Resources Control Board in 2018 will result in less SWP exports than today, with or without the Delta conveyance project.² Moreover, the change in federal Administration is likely to significantly change federal policy in the Bay-Delta. Delaying this decision for 12 months would allow the Board of Directors to complete the IRP and make informed decisions regarding the costs and potential benefits of the Delta Conveyance project in light of updated supply and demand projections, updated water quality standards, and federal policy changes. It would also allow the Board to assess whether the local economy has recovered and the impacts on ratepayers in light of conditions 12 months from now.

A Delta Conveyance project would likely to be the most expensive project in Metropolitan's history. Given the significant economic downturn and water affordability crisis, the need to evaluate the costs and benefits of Delta conveyance in light of an updated IRP and new federal Administration, and the need to ensure that Southern California ratepayers are not subsidizing other water users, NRDC urges the Board of Directors to vote to delay this decision on funding for the planning of the Delta Conveyance project for 12 months, and we strongly oppose the Board providing any funding for the Delta Conveyance project beyond the \$50 million already included in the adopted budget.

Thank you for consideration of our views.

Sincerely,



Doug Obegi

² The State Water Contractors' modeling showed that with updated Delta outflow requirements that are similar to what the State Water Resources Control Board proposed in 2018, State Water Project deliveries would be an estimated 1.9 million acre feet per year without Delta Conveyance and 2.0 million acre feet per year with the proposed project, compared with an average of 2.5 million acre feet per year today. This suggests that the project could yield 100,000 acre feet of water per year at an estimated \$15.9 billion capital cost. In contrast, at full build out the regional water recycling project would yield an estimated 168,000 acre feet of water per year at an estimated \$3.4 billion capital cost.