
From: David M Corbin [<mailto:davidmcorbin@gmail.com>]
Sent: Friday, April 08, 2016 4:18 PM
To: Chin,Dawn
Subject: Comment letter rates and charges 2017–2818

I am writing to respectfully request that you, the MWD, make the rate model public and produce a cost of service study and rates and charges that conform with state law.

David M. Corbin
C. 619.300.6925
O. 858.748.6060
Skype. davidmcorbin
www.davidcorbin.com

Award winning Keynote Speaker
Two time Best Selling Author.
www.davidcorbin.com

"We can't solve everything we face but we can't solve ANYTHING unless we face it." <http://www.barnesandnoble.com/mobile/w/illuminate-david-m-corbin/1100297527>

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RAMONA MUNICIPAL WATER DISTRICT

GENERAL MANAGER'S OFFICE
105 Earlham Street
Ramona, CA 92065-1599

Telephone: 760-789-1330
Facsimile: 760-788-2202
Email: dbarnum@rmwd.org

April 8, 2016

David Barnum
General Manager

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.

David Barnum
General Manager
Ramona Municipal Water District

From: Paul Danninger <PDanninger@marwestcommercial.com>
Sent: Friday, April 08, 2016 7:02 PM
To: Chin,Dawn
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, Paul Danninger
On behalf of the Emerald Plaza Owners Association
Members: Westin Hotel/Diamond Rock
Emerald Plaza Office Tower/ Deutsche Asset Management
400 W Broadway
San Diego, CA 92101



We've moved! Please note our new office

Unit Letter G

Paul Danninger

Association Manager

1049 Camino Del Mar #G

Del Mar CA 92014

Direct/Cell: 858.775.4917

Fax 858-259-5560

After hours emergency: 714.442.0731

DRE# 01232173

PDanninger@marwestcommercial.com

MarWestCommercial.com

Commercial Property Owners' Association
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From: Namara Mercer [mailto:nmercerc@sdhama.com]
Sent: Friday, April 08, 2016 1:22 PM
To: Chin,Dawn
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

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

Dear Chair Record:

The San Diego County Hotel-Motel Association is very concerned about MWD's recommended package of rates, charges and taxes for the next two years, and request the plan 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.

On behalf of our members, we ask that the MWD Board direct its staff to come back with a plan that will produce lawful rates that are based on costs, as required by law.

Sincerely,

Mike Staples

President
San Diego County Hotel-Motel Association

Namara Mercer
Executive Director
San Diego County Hotel-Motel Association
619-224-2811 office
619-224-9314 fax
619-607-2143 cell

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

From: Rudena Christopher [<mailto:rudenachris@aol.com>]

Sent: Friday, April 08, 2016 3:58 PM

To: Chin,Dawn

Subject: Comment on water rates

Sent from my iPhone

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April 8, 2016

"Comment Letter – Rates and Charges for 2017 and 2018."

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,


Shaun P. Beucler
General Manager

SPB/smc

From: Maureen Crites [<mailto:maureencrites09@yahoo.com>]
Sent: Friday, April 08, 2016 1:54 PM
To: Chin,Dawn
Subject: Comment Letter for proposed rates and charges for 2017 and 2018

Dear MWD Board Chair Randy Record,

I oppose the proposed rates and charges for the years of 2017 and 2018. I am a home owner located in San Diego and those increases will be a sincere hardship for me and all my neighbors. We are all senior citizens and most of us are on a fixed income as I will be shortly.

Please consider revising these proposed changes as I believe from the information I have read that the increases are unfair to all of San Diego. I do my part to conserve and have three rain barrels that I was never able to receive any rebates for their cost and installation.

My water bill is my most expensive bill beside my mortgage which I hope to pay off shortly if I am able to accomplish that feat before I will be on a fixed income that will be drastically reduced from my current income.

Hope you will reconsider these huge increases and make more rebates available for rain barrels and senior citizens.

Thank you,

Maureen E. Crites

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CITY OF SANTEE

MAYOR
Randy Voepel

CITY COUNCIL
Jack E. Dale
Ronn Hall
Rob McNelis
John W. Minto

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

Via U.S. Mail and Email to: dchin@mwdh2o.com

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

Dear Chair Record:

The City of Santee, as an end user of water provided by MWD to the San Diego County Water Authority, has great concern regarding the proposed rate increase before your Board on April 12, 2016.

Our research has shown that 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.

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.”

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.

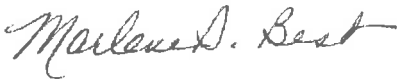
At the same time it is increasing revenue by suspending the property tax rate, claiming that it is essential to the fiscal integrity of MWD, it is proposing to reduce two existing fixed charges, the Readiness to Serve Charge and the Capacity Charge. The Water Authority has long supported the concept of increasing fixed revenue sources at MWD. However, this new fixed charge was proposed AFTER the public hearing was held, and

Metropolitan Water District Board of Directors
April 8, 2016
Page 2

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, the City of Santee and its City Council 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, local municipalities and members of the public who are ultimately your customers. The effect of this rate change is expected to be dramatic on many of the citizens who rely on water provided by your agency for their lifestyle, nay for their very life. As representatives of our citizens, your customers, we encourage and insist on a transparent process and reconsideration of a legal rate-setting action.

Sincerely,

A handwritten signature in cursive script that reads "Marlene D. Best".

MARLENE D. BEST
City Manager
City of Santee

c: City Council

Board of Directors
Edmund K. Sprague, President
Robert F. Topolovac, Vice President
Lawrence A. Watt, Treasurer
Christy Guerin, Secretary
Gerald E. Varty, Director



General Manager
Kimberly A. Thorner, Esq.
General Counsel
Alfred Smith, Esq.

April 8, 2016

Randy Record, Chairman of the Board
and MWD Board Members
P.O. Box 54153
Los Angeles, CA 90054-0153

RE: Proposed Water Rates and Charges

Dear Chairman Record and Board Members:

Olivenhain Municipal Water District is a member agency of the San Diego County Water Authority. OMWD provides water treatment and supply to approximately 84,000 customers in northern San Diego County. We thank you for the opportunity to be heard regarding staff's proposal for a new fixed treatment charge.

OMWD understands the challenges that Southern California water agencies face when creating a fair and equitable rate structure, especially when that agency runs multiple treatment facilities on which demands may significantly fluctuate. While OMWD recognizes that a treated water fixed charge is an option by which MWD may address capital improvement project costs, debt, and fixed operating costs, we have serious concerns about the methodology used to calculate a fixed charge.

OMWD is not opposed in principle to a MWD fixed charge, but rather the period that may be used to calculate the amount of the charge and its permanence. Specifically, OMWD objects to establishing a fixed fee by considering the amount of treated water purchased by a member agency during the time period from 1998-2007. Basing a charge off of a most recent multi-year rolling average of treated water purchases is a more defensible approach to determining a cost for a service. Looking twenty years into the past for a baseline by which to establish a charge, however, is dangerously arbitrary, especially considering that the 1998-2007 period runs in perpetuity with no opportunity for adjustment.

Please also note that OMWD does not support fixed demand or stand by charges that are permanent. OMWD's ratepayers invested in the 1990s and 2000s in the David C. McCollom Water Treatment Plant to create a reliable, local supply of treated water, reducing our operating expenses while enhancing our disaster preparedness. Establishing fixed treatment



1966 Olivenhain Road • Encinitas, CA 92024
Phone (760) 753-6466 • Fax (760) 753-1578 • www.olivenhain.com



charges in perpetuity based on a period during which OMWD's treated water demands were vastly different undermines these efforts and public confidence.

Additionally, fixed demand or stand by charges that remain in place forever are counterintuitive to the development of sustainable, local supplies. Even if a retail agency were to build a treatment plant today to take advantage of newly available sources of water, it would remain subject to MWD's fixed treated water fees even if it did not take a single drop of treated water from MWD in the future.

OMWD respectfully requests that the board postpone any action regarding the implementation of treated water fixed demand or stand by charges until such time as agencies have had the opportunity to properly vet this latest proposal and assess the impacts to ratepayers. Should the board determine it is necessary to move forward immediately with such charges, OMWD would encourage the board to consider a fixed charge option that considers water usage on a rolling average basis during the most recent multi-year period and is not permanent.

Please contact me at 760-415-6158 if you have any questions regarding this letter.

Sincerely,

A handwritten signature in cursive script that reads "Kimberly A. Thorner".

Kimberly A. Thorner
General Manager

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

From: Vicki Moore [<mailto:mvmooore@pacbell.net>]

Sent: Friday, April 08, 2016 3:14 PM

To: Chin,Dawn

Subject: Rates & Charges for 2017 & 2018

Please provide the public a study based on your cost of services. All rates and charges must conform with our state laws.

Thank you.

Regards,

M V Moore

Sent from my iPhone

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From: Lea Voight [<mailto:lea@jahfamilylaw.com>]
Sent: Friday, April 08, 2016 12:49 PM
To: Chin,Dawn
Cc: Lea Voight; James Hennenhoefer
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.
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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,

Lea Voight Hennenhoefer
Legal Administrator
James A. Hennenhoefer, A.P.C.
316 S. Melrose Drive, Ste. 200
Vista, CA 92081
(760) 941-2260
(760) 945-1806 (fax)
lea@jahfamilylaw.com
www.jahfamilylaw.com

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April 8, 2016

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

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

Dear Chair Record:

This proposed rate increase is unjust and boards on the verge of criminal. You need to revisit this matter and come up with a logical solution.

Sincerely,

A handwritten signature in black ink that reads "Joe Valenti". The signature is written in a cursive style with a horizontal line at the end.

Joe Valenti

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

From: Grace [mailto:gracerj2004@yahoo.com]

Sent: Friday, April 08, 2016 4:54 PM

To: Chin,Dawn

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

MWD Board Chair Randy Record:

My family has recently moved to Ramona, and we were aware that water rates were high here. After living in Ramona for 7 months, yes, they are. I was unpleasantly surprised to see an article in a local paper about proposed increases to both water rates and property taxes in 2017 & 2018. An increase of 62% in the cost of treated water & 12% for untreated water seems quite excessive. Not to mention increasing property taxes by \$112 million! There must be another way for the MWD to raise funds, if that is the problem, besides taking the money from the already strained rate payers.

According to the article in the paper, these proposed rates and charges are based on a methodology ruled illegal in superior court just last year. I am dismayed that the MWD is seeming to see fit to flaunt the courts ruling and the law. It is not too late to make a better decision, however. Please vote these outrageous proposals down & reevaluate.

I would also ask that you make your rate model public and produce a cost of service study available to the public as well. I have no doubt that more transparency would help your public relations.

Regards,
Grace Carmichael
Ramona resident

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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: Gary Hurst [<mailto:hurst89523@yahoo.com>]
Sent: Friday, April 08, 2016 11:52 AM
To: Chin,Dawn
Subject: Fw: Comment Letter - Rates and Charges for 2017 and 2018

On Friday, April 8, 2016 11:49 AM, Gary Hurst <hurst89523@yahoo.com> wrote:

The chair of the San Diego County Water Authority (SDCWA) Board of Directors, Mr. Weston, recently wrote a much-publicized letter to constituents. His letter was very timely because I recently wrote a letter to the Ramona Municipal Water District, a member of SDCWA and the Metropolitan Water District (MWD) about the same subject.

Water rates should reflect only the directly variable costs of providing water to users. Haven't California courts ordered this when they mandated that MWD "set its rates based upon cost causation?" Water charges should reflect the allocation of fixed costs, or "capacity charges," but such allocations must be made upon some fair and publicly-accepted basis. No allocation may be considered fair and publicly-accepted unless the allocation model is publicly available. MWD violates the spirit of the law, and surely the letter, when it fails to make public its rate and charge model, and supporting cost-of-service study of rates and charges.

Without the requested information being made public by MWD, it is impossible to believe that SDCWA potable water rates can fairly be raised 62% in 2017 while the same rate is reduced in Los Angeles - or that untreated water rates for SDCWA can be fairly raised 12% in 2017 while the same rate is reduced in Los Angeles.

Please explain the proposed increases by providing the requested information.

Thank you.

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From: Rachel Laing <rachel@sdcta.org>
Sent: Saturday, April 09, 2016 8:51 AM
To: Chin,Dawn
Subject: Comment on Rate Proposal

Dear Ms. Chin,

Please see this letter from the Business Alliance for Water - San Diego regarding MWD's rate proposal.

Thank you,

Rachel Laing

BUSINESS ALLIANCE FOR WATER | San Diego

April 8, 2016

Chairman Randy Record,

Board Chair, Metropolitan Water District

Via e-mail

Dear Chair Record and members of the Board of Directors:

We're writing as co-chairs of the Business Alliance for Water, a group of more than 50 San Diego companies and business organizations concerned about the impact of water cost and reliability on San Diego's economy.

Our group is well-versed on water-pricing issues and fully recognize the need for water agencies to recoup costs from ratepayers — and that sometimes, that requires raising rates to address rising costs. We also understand the need for water agencies to create a balance between fixed and variable revenues.

However, we are extremely concerned about these proposed rate increases, which disproportionately affect San Diego, and that we do not believe have had adequate vetting. Most of the essential information on rates and budget that have been released were provided only after the public hearing on the rates and the opportunity for those affected to provide public comment. This is a failure in transparency that demands correction.

Metropolitan Water District has a bad record of collecting millions more dollars than it needs to pay its actual costs, and the continued use of a methodology that has already been ruled illegal by the courts is confounding.

San Diego businesses are duly concerned about more and higher-than-planned rate increases, and the impact this could have to business and regional competitiveness, since member agencies are likely to pass the increases on to customers.

We ask that you do not approve the proposed rate increases, stop charging illegal rates and cease over-collecting from customers.

Thank you for the opportunity to provide input on this important issue.

Sincerely,

Kris Michell Mark Cafferty

Co-chairs

Business Alliance for Water | San Diego

From: dianec@flexsystems.com
Sent: Saturday, April 09, 2016 2:26 PM
To: Chin,Dawn
Subject: Comment Letter-Rates and Charges for 2017 and 2018

Dear MWD Board,

I am a rate payer in Ramona, California.

Please make your rate model public and produce a cost-of-service study and rates and charges that confirm with state laws.

Rgds,

Diane Chapman

Flexsystems® USA Inc.
1308 North Magnolia Avenue, Suite J
El Cajon, CA 92020
Phone: 619-401-1858
Fax: 619-401-1848
email: dianec@flexsystems.com
website: www.flexsystems.com



From: Robin Edwards <robin.edwards925@gmail.com>
Sent: Saturday, April 09, 2016 9:59 AM
To: Chin,Dawn
Subject: water rates- COMMENT LETTER

Hello,

I attended a Board meeting at the California Restaurant Association as was made aware of increases heading our way.

This letter is to **OBJECT to this rate increase as it is UNFAIR** to San Diego and will significantly impact residents and businesses very negatively

With Gratitude,

Robin Edwards
Managing Director



858.349.5533

<http://www.facebook.com/food4thoughtsandiego>

From: Philip Tuton <tuties@cox.net>
Sent: Saturday, April 09, 2016 10:31 PM
To: Chin,Dawn
Subject: Comment Letter - Rates and Charges for 2017 and 2018

TO: Ms. Dawn Chin, Office of the Board of Directors
For MWD Board Chair Randy Record

Dear sir,

Your proposed actions to adopt two more years of illegal rates is unbelievable in a society made up of fair citizens. My rates for water in Poway should be based on those determined as appropriate in California law and the state constitution. You put the MWD above the Superior Court decision that your rates increases should be based on the additional costs involved in getting it to us. This would appear to be a matter for State or Feral investigators and consumer advocacy groups to pursue.

Sincerely,
Philip Tuton

From: Rachel Laing [<mailto:rachel@sdcta.org>]
Sent: Saturday, April 09, 2016 8:51 AM
To: Chin,Dawn
Subject: Comment on Rate Proposal

Dear Ms. Chin,

Please see this letter from the Business Alliance for Water - San Diego regarding MWD's rate proposal.

Thank you,

Rachel Laing

BUSINESS ALLIANCE FOR WATER | San Diego

April 8, 2016

Chairman Randy Record,

Board Chair, Metropolitan Water District

Via e-mail

Dear Chair Record and members of the Board of Directors:

We're writing as co-chairs of the Business Alliance for Water, a group of more than 50 San Diego companies and business organizations concerned about the impact of water cost and reliability on San Diego's economy.

Our group is well-versed on water-pricing issues and fully recognize the need for water agencies to recoup costs from ratepayers — and that sometimes, that requires raising rates to address rising costs. We also understand the need for water agencies to create a balance between fixed and variable revenues.

However, we are extremely concerned about these proposed rate increases, which disproportionately affect San Diego, and that we do not believe have had adequate vetting. Most of the essential information on rates and budget that have been released were provided only after the public hearing on the rates and the opportunity for those affected to provide public comment. This is a failure in transparency that demands correction.

Metropolitan Water District has a bad record of collecting millions more dollars than it needs to pay its actual costs, and the continued use of a methodology that has already been ruled illegal by the courts is confounding.

San Diego businesses are duly concerned about more and higher-than-planned rate increases, and the impact this could have to business and regional competitiveness, since member agencies are likely to pass the increases on to customers.

We ask that you do not approve the proposed rate increases, stop charging illegal rates and cease over-collecting from customers.

Thank you for the opportunity to provide input on this important issue.

Sincerely,

Kris Michell Mark Cafferty

Co-chairs

Business Alliance for Water | San Diego

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From: Linda West <awest1@san.rr.com>
Sent: Sunday, April 10, 2016 1:45 PM
To: Chin,Dawn
Subject: Comment Letter-Rates and Charges 2017-18

Dear Mr. Record,

I am opposed to the rates and charges you propose for San Diego water in the next two years.

Please make your rate model records public, produce a cost of service study, and make your rates and charges conform with California state law.

Respectfully,

G. Allen West

From: Evie King <eking6@san.rr.com>
Sent: Sunday, April 10, 2016 4:41 PM
To: Chin,Dawn
Subject: Comment Letter-Rates and Charges for 2017 and 2018

As a resident of San Diego, I would like to see the rate model be made public. As has been noted, our snow pack has increased substantially and a rate increase should no longer be a factor. Also being retired, seeing this rate increase doesn't seem to be warranted. Please consider.

Thank You

From: Eric <ts549b.28@yandex.com>
Sent: Sunday, April 10, 2016 8:24 PM
To: Chin,Dawn
Subject: Comment Letter – Rates and Charges for 2017 and 2018

Honorable Chair Randy Record,

The huge proposed increase in the treated water rate is the result of a new fixed treatment charge that will be a permanent tax that doesn't go away no matter how much or little treated water MWD's member agencies actually purchase. It accomplishes this feat by basing the charge on treated water purchases during the time period 1998-2007; MWD's approach is not supported by water industry practice or California law.

MWD is also increasing by 6 percent the "wheeling rate" paid by the water authority to transport its independent Colorado River water to San Diego. And, it is proposing to increase property taxes by \$112 million in 2017 and 2018, in a manner that is inconsistent with the laws that govern MWD.

Lastly, MWD is continuing to impose rates and charges based on a methodology ruled illegal in superior court last year. The judge invalidated MWD's transportation rates for 2011-2014, finding that they violated numerous provisions of California law and the state Constitution. He also ordered MWD to pay the water authority \$188.3 million in damages and \$46.6 million in prejudgment interest. The judge mandated that MWD "enact 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. Despite the clear ruling, MWD is poised to adopt two more years of illegal rates.

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

Thank you!

Eric Lee

From: Gary DeYarman <grdeyarman@cox.net>
Sent: Sunday, April 10, 2016 5:22 PM
To: Chin,Dawn
Subject: Comment Letter - Rates and Charges for 2017 and 2018

Dear MWD Board Chair Randy Record,

I understand that the Metropolitan Water District Board is scheduled to vote April 12 on a rate proposal that would increase the cost of treated water for our region 2017 and 2018. I am requesting that MWD make its rate model public, and produce a cost-of-service study of rates and charges that conform with state law.

Thank you,

Gary De Yarman
Poway, CA

From: joesph virgilio <joeyv9@cox.net>
Sent: Sunday, April 10, 2016 5:08 PM
To: Chin,Dawn
Subject: Comment Letter-Rates and charges for 2017 and 2018

I oppose the proposed rate increases for 2017 and 2018 from Metropolitan Water District to the San Diego County Water Authority.

I suggest that you find a different way to cover the costs of doing business like many other companies do when projected revenue is lower. Evaluate the payroll, retirement and benefits and cut back where you have too. Many businesses do not have the luxury of just passing the cost down line without the fear of losing the customer.... I have to use water and I cant buy it from your competitor.

Thank You,

Joe Virgilio
Resident
Ramona, Ca

From: Jo <Jo@bjburge.com>
Sent: Sunday, April 10, 2016 1:22 PM
To: Chin,Dawn
Subject: Comment letter-Rates and Changes for 2017 and 2018

Dear Mr Record,

This letter is to show my support of Mr Mark Weston request for the MWD to make the rate model public, and produce a cost-of-service study and rates and charges that conform with state law. I do not support the rate proposal that is up for vote on April 12. How would this rate increase affect the San Diego County Water Authority? The public should be made aware of increased rate proposals and have a chance to respond to any increase that affects the San Diego Water Authority.

Thank you,

Jo Burge

From: Jane Deyarman <jdeyarman@cox.net>
Sent: Sunday, April 10, 2016 4:45 PM
To: Chin,Dawn
Subject: Comment Letter - Rates and Charges for 2017 and 2018

Dear MWD Board Chair Randy Record,

I understand that the MWD Board is scheduled to vote April 12 on a rate proposal that would increase the cost of treated water for our region 2017 and 2018. I am requesting that MWD make its rate model public, and produce a cost-of-service study of rates and charges that conform with state law.

Thank you,

Jane De Yarman
Poway, CA

From: Howard S <hjay1269@gmail.com>
Sent: Sunday, April 10, 2016 10:06 AM
To: Chin,Dawn
Subject: Comment Letter: Rates and Charges for 2017 & 2018

To Dawn Chin,

I am in opposition to the above MWD's proposed actions. These rate changes must be made public and MWD must produce a cost of service study and rates and charges that conform with state law.

What MWD is proposing is illegal rates per the superior court ruling last year.

Serve the people of California

Howard Schuss
Poway, CA

From: Linda West <l2wbookhand@gmail.com>
Sent: Sunday, April 10, 2016 1:50 PM
To: Chin,Dawn
Subject: Fwd: Comment Letter-Rates and Charges 2017-18

Date: Sun, Apr 10, 2016 at 1:44 PM
Subject: Comment Letter-Rates and Charges 2017-18
To: dchin@mwdh2o.com

Dear Mr. Randy Record,

I am strongly opposed to the rates and charges you propose for San Diego water in the next two years.

Please make your rate model records public, produce a cost of service study, and make your rates and charges conform with California state law.

Respectfully,

Linda L West

From: Charie <charmank@att.net>
Sent: Sunday, April 10, 2016 3:35 PM
To: Chin,Dawn
Subject: Comment Letter - Rates and Charges for 2017 and 2018

Dear Randy Record

I am joining the coalition on asking the MWD to make its rate model public, and produce a cost-of-service study and rates and charges that conform with the state law.

Sincerely,
Manny Roxas
San Diego, CA 92127



Virus-free. www.avast.com

From: Ron Thomson <ronthomson@live.com>
Sent: Sunday, April 10, 2016 10:40 AM
To: Chin,Dawn
Subject: Comment Letter - Rates and Charges for 2017 & 2018

The Metropolitan Water District's proposed rate increase for treated and untreated water to San Diego County is illegal, unfair, does not follow established methodology, , and is quite unconsionalble. The MWD is proposing to raise rates for San Diego County through fixed treatment and "wheeling charges" while lowering them for Los Angeles. This defies logic and is quite oppressive. The MWD does not have the right nor the moral authority to raise rates in such a fashion for San Diego County. This is a clear demonstration of an out of control bureaocracy with motives beyond it's duty to serve the public.

I would give you my contact information but an agency that acts in such a fashion and outside the law would also not hesitate to retaliate against a citizen.



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Counsel

Via E-mail and U.S. Mail

April 11, 2016

Dennis Cushman
Assistant General Manager
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123-1233

Re: Letter dated March 22, 2016

Dear Mr. Cushman:

I have been asked to respond to your March 22, 2016 letter to Metropolitan Water District of Southern California (Metropolitan) Board Chairman Randy Record and Members of the Board of Directors of Metropolitan, re "Final Demand for Financial Planning Model."

Initially, it is important to note that Metropolitan provided the financial planning model to the San Diego County Water Authority (SDCWA) in 2013 for use by SDCWA in the pending litigation between SDCWA and Metropolitan. The financial planning model was provided in accordance with a protective order (attached) issued by Judge Karnow and stipulated to by counsel for SDCWA and Metropolitan.

The financial planning model is not data. It is not a description of the basis or rationale for Metropolitan's proposed rates and charges. The financial planning model is simply a proprietary software program consisting of cells with formulas and code. All of the data output of the financial planning model for the current rate-setting cycle has been provided to SDCWA and is available to the public on Metropolitan's website. Metropolitan has previously provided to SDCWA the model's output for past rate-setting cycles as well. As we have discussed in our prior letters, the California Public Records Act excludes from disclosure computer software, including a computer program, developed by a local agency. Cal. Govt. Code § 6254.9; *Sierra Club v. Superior Court*, 57 Cal.4th 157, 170-171 (2013) (data that is not computer software is disclosable); *Fredericks v. Superior Court*, 233 Cal.App.4th 209, 234-235 (2015) (computer software is not disclosable).

The Court's protective order defines the financial planning model as "a spreadsheet containing Metropolitan's *proprietary* software program concerning its financial planning rate model, which contains active (*i.e.*, programmable) cells, including formulas, and programming code." (Order,

pg. 2 (emphasis added).) The Court's restrictions to protect this proprietary program include: the model could only be used for the litigation; only a limited number of designated persons could have access; each designated person was required to certify that he or she was bound by the order before obtaining access, and to agree that violation of the order may be punishable as contempt of court; the model could not be downloaded, copied, or replicated in any way, or transmitted, removed, or transferred; to prevent such activity, the model was contained on two computers provided by Metropolitan which were required to be maintained in locked-down rooms that prevented such activity and to which only the designated persons had access; and the model and any material or analysis from which any formulas or code could be determined was designated "HIGHLY CONFIDENTIAL." (Order, pgs. 1, 3-7, and Ex. A.)

When SDCWA sought the financial planning model in the *SDCWA v. Metropolitan* litigation, it represented to the Court that SDCWA required the formulas and code in order to litigate the case, stating in particular that this was necessary in order for SDCWA to calculate damages under the parties' Exchange Agreement.

As it turned out, after obtaining it, SDCWA then never used the financial planning model whatsoever in the litigation. Certainly if the model had the importance and uses that you claim in your March 22 letter, SDCWA would have used it in the case.

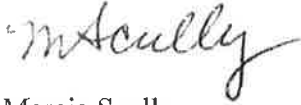
Because the Court's protective order enables SDCWA to retain the financial planning model under these restricted measures during the pendency of the litigation, through the appeal, SDCWA still has the model in its possession. Contrary to SDCWA's assertion that it is legally entitled to use the model for any reason and without restrictions, the Court's order states otherwise. Any use of the model that is not in compliance with the protocol and requirements of the Court order is at the risk of contempt of court.

As to the other statements in your letter, as part of a multi-month public process, Metropolitan staff has provided to the Metropolitan Board and the public extensive relevant material detailing and explaining the proposed budget for 2016/17 and 2017/18 and the proposed rates and charges for 2017 and 2018, including a detailed cost of service report. Metropolitan staff has

Dennis Cushman
April 11, 2016
Page 3

consistently provided more information to its Board and the public about its proposed rates than many agencies, including SDCWA.

Very truly yours,



Marcia Scully
General Counsel

Attachment: San Francisco Superior Court's Amended Stipulated Protective Order Regarding Metropolitan Water District of Southern California's Financial Planning Model, filed November 12, 2013.

cc: Metropolitan Board Chairman Randy Record
Metropolitan Board of Directors
SDCWA Board of Directors
Jeff Kightlinger, Metropolitan General Manager
Maureen Stapleton, SDCWA General Manager
Mark Hattam, SDCWA General Counsel



FILED
San Francisco County Superior Court

NOV 12 2013

CLERK OF THE COURT

BY: *Shawna Purcell*
Deputy Clerk

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13 Attorneys for Plaintiff
14 SAN DIEGO COUNTY WATER AUTHORITY

15 SUPERIOR COURT OF THE STATE OF CALIFORNIA
16 IN AND FOR THE COUNTY OF SAN FRANCISCO

17 SAN DIEGO COUNTY WATER AUTHORITY,
18
19 Petitioner and Plaintiff,

20 v.

21 METROPOLITAN WATER DISTRICT OF
22 SOUTHERN CALIFORNIA; ALL PERSONS
23 INTERESTED IN THE VALIDITY OF THE
24 RATES ADOPTED BY THE METROPOLITAN
25 WATER DISTRICT OF SOUTHERN
26 CALIFORNIA ON APRIL 13, 2010 TO BE
27 EFFECTIVE JANUARY 2011; and DOES 1-10,

28 Respondents and Defendants.

EXEMPT FROM FILING FEES
[GOV. CODE § 6103]

Case No. CPF-10-510830
Case No. CPF-12-512466

^{cy}
[PROPOSED] AMENDED
STIPULATED PROTECTIVE
ORDER REGARDING
METROPOLITAN WATER
DISTRICT OF SOUTHERN
CALIFORNIA'S FINANCIAL
PLANNING MODEL

1 Plaintiff and Petitioner San Diego County Water Authority (“SDCWA”) and Defendant
2 and Respondent Metropolitan Water District of Southern California (“MWD”), by and through
3 their counsel, hereby stipulate to this Protective Order as follows:

4 **DEFINITIONS**

5 1. As used in this Protective Order:

- 6 (a) “Designating Party” means MWD;
- 7 (b) “Discovering Counsel” means SDCWA’s outside counsel of record in the
8 above-captioned actions Keker & Van Nest LLP, including its partners,
9 associates, and staff employed by Keker & Van Nest LLP;
- 10 (c) “Authorized Individuals” shall mean and be limited to the following:
11 Discovering Counsel who have first executed the Undertaking Re:
12 Protective Order attached hereto as Exhibit A; SDCWA’s designated
13 consulting or testifying experts in the above-captioned action(s) who have
14 first executed the Undertaking Re: Protective Order attached hereto as
15 Exhibit A; and seven individual SDCWA internal staff members who have
16 first executed the Undertaking Re: Protective Order attached hereto as
17 Exhibit A.
- 18 (d) In its First Set of Special Interrogatories No. 17, SDCWA requested MWD
19 to “Identify all DOCUMENTS, data, analyses, calculations, studies or
20 other information that constitute, comprise or describe MWD’s rate
21 model.” During the April 23, 2013 hearing on SDCWA’s motion to
22 compel, SDCWA clarified that, by this Interrogatory, it was seeking “an
23 explanation of the way that Met is actually dividing up and charging these
24 rates.” Thereafter, in its April 23, 2013 Order, the Court ordered: “The
25 spreadsheet containing active (i.e., programmable) cells should be
26 disclosed. To be express, this is disclosure of software. [Footnote] The
27 parties should negotiate a suitable protective order.” The Court’s footnote
28 stated: “It may be that additional programs are required to actually operate

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the spreadsheet even if it is provided as stated here. The parties should confer how best to enable San Diego to manipulate the spreadsheet.” Apr. 23, 2013 Order at 3 & n.1.

(e) Pursuant to the Court’s Order dated April 23, 2013 and under the terms of this Stipulated Protective Order, on or by July 26, 2013, Designating Party will make available to Discovering Counsel and other Authorized Individuals MWD’s Financial Planning Model. “Financial Planning Model” means a spreadsheet containing MWD’s proprietary software program concerning its financial planning rate model, which contains active (*i.e.*, programmable) cells, including formulas, and programming code. In response to SDCWA’s further questions, MWD has provided the following further information: MWD represents that there are no additional programs required to operate the spreadsheet. The Financial Planning Model contains both a cost of service and a rate setting function. The cost of service component of the Financial Planning Model is the same as the “2010 COS” and “2010 model” mentioned at the top of page 12 of Raftelis Financial Consultants’ April 6, 2010 report titled “Independent Review of FY 2010/11 Cost of Service and Rate Setting Process.” All cells and formulas in the Financial Planning Model will be unlocked and in a form that allows editing. The Financial Planning Model was prepared by MWD staff, not any outside entity, and MWD does not have a user’s manual providing instructions regarding how to operate the Financial Planning Model. MWD represents that, other than the Financial Planning Model, it has no other documents to produce in response to the Court’s April 23, 2013 Order regarding Special Interrogatory No. 17.

1 **RESTRICTED ACCESS TO AND USE OF FINANCIAL PLANNING MODEL**

2 2. MWD contends that its Financial Planning Model is proprietary, confidential, has
3 economic value, and is deemed by MWD to be a trade secret, that MWD staff developed the
4 Financial Planning Model and it is unique, that MWD would be gravely injured if the Financial
5 Planning Model were to be disclosed beyond the limited terms and conditions set forth in this
6 Order, that the Financial Planning Model does not state the basis of MWD's rates and charges
7 (which SDCWA had previously contended), that the basis of MWD's rates and charges is public
8 and always has been, and that how MWD allocates its costs is public and always has been.
9 SDCWA disputes each of these contentions by MWD and contends that the Financial Planning
10 Model is and should be public because the model explains how, a public agency, allocates its
11 costs to the categories of service it provides and to the various rates it charges its member
12 agencies and their ratepayers. SDCWA also disputes that the Financial Planning Model has
13 independent economic value to any party other than MWD. Both MWD and SDCWA reserve all
14 rights regarding these issues, and have agreed to entry of this Protective Order as a compromise,
15 in order to enable SDCWA to obtain access to the Financial Planning Model for use in this
16 litigation.

17 3. As stated, pursuant to the Court's April 23, 2013 Order regarding First Set of
18 Special Interrogatories No. 17 and this Stipulated Protective Order, Designating Party will make
19 available to Discovering Counsel and other Authorized Individuals the Financial Planning Model,
20 under the following terms and conditions only:

- 21 (a) The Financial Planning Model, including the spreadsheet, the formulas,
22 and the programming code – in any part and in whole – is hereby
23 designated "HIGHLY CONFIDENTIAL," and may be accessed, viewed,
24 and/or used only by Authorized Individuals, as set forth herein.
- 25 (b) The Financial Planning Model shall be made available on two separate
26 computers ("Computers") to be provided by MWD. One Computer will be
27 provided at the San Francisco office of SDCWA's counsel Kecker & Van
28 Nest LLP, and a second Computer will be provided at SDCWA's office in

1 San Diego. Only Authorized Individuals may have access to the
2 Computers. Discovering Counsel and other Authorized Individuals shall
3 not disclose the Financial Planning Model to any person who is not an
4 Authorized Individual nor allow any person who is not an Authorized
5 Individual to access the Computers.

6 (c) Before being given access to either of the Computers, Discovering Counsel
7 and other Authorized Individuals must first certify that they have read this
8 Order and have manifested their assent to be bound hereby, by signing a
9 copy of the "Undertaking Re: Protective Order" attached hereto as Exhibit
10 A. Copies of the executed Undertaking Re: Protective Order shall be
11 retained by Discovering Counsel, and, upon reasonable advance request by
12 MWD, shall be produced for inspection; provided, however, that in no
13 event shall SDCWA be required to reveal information protected from
14 disclosure by the attorney-client privilege, the work-product doctrine, or
15 any other legally recognized privilege of non-disclosure, including but not
16 limited to the disclosure of the identities of any SDCWA expert consultants
17 who have not been identified as expert witnesses in this litigation, unless so
18 ordered by the Court.

19 (d) The Financial Planning Model – in any part or in whole – shall not be
20 downloaded, copied or replicated (electronically or otherwise) in any way,
21 transmitted, removed, or transferred by Discovering Counsel or any
22 Authorized Individuals to any computer other than the Computers provided
23 by MWD. Nothing in this provision shall prevent Authorized Individuals
24 from saving copies of the results of any calculation performed using the
25 Financial Planning Model to the Computers themselves.

26 (e) The Computers shall be housed in secured private rooms that are locked
27 down (*i.e.*, so that additional peripheral devices cannot be connected to the
28 computers and flash drives or other devices cannot be used to download

1 data), without Internet access, and without network access to other
2 computers in order to prevent and protect against any unauthorized
3 downloading, copying or replicating (electronically or otherwise) in any
4 way, transmission, removal, or transfer of the Financial Planning Model –
5 in any part or in whole – outside or away from the Computers provided by
6 MWD.

7 (f) A printer may be attached to the Computers and the results of any
8 calculation performed using the Financial Planning Model that Authorized
9 Individuals wish to make may be printed in hard copy and retained by
10 Authorized Individuals.

11 (g) Within 30 days of conclusion of the above-captioned actions, including any
12 appeals from any decision of this Court: (1) Discovering Counsel and
13 SDCWA shall sequester and destroy the hard drives of the Computers
14 (MWD shall have the right to have a representative present to witness the
15 destruction of the hard drives). (2) Discovering Counsel and SDCWA
16 shall return to MWD both Computers. (3) All materials derived from the
17 Financial Planning Model that describe or identify any of the formulas or
18 programming code in the Financial Planning Model or any analysis of the
19 Financial Planning Model from which any of the formulas or programming
20 code therein could be determined shall be destroyed by Discovering
21 Counsel and all other applicable Authorized Individuals. (4) The work
22 product of Discovering Counsel or all other applicable Authorized
23 Individuals that contains any of the formulas or programming code in the
24 Financial Planning Model or any analysis of the Financial Planning Model
25 from which any of the formulas or codes therein could be determined shall
26 be destroyed or stored in a secured area. Discovering Counsel shall certify
27 compliance with this paragraph 3(g) within five days of request by MWD.
28

1 4. Discovering Counsel and other Authorized Individuals shall not use any of the
2 following for any purpose other than to prosecute the litigation in the above-captioned actions
3 only:

4 (a) The Computers, the Financial Planning Model, or his/her access to the
5 Financial Planning Model, including the spreadsheet, the formulas, and the
6 programming code – in any part or in whole; and

7 (b) Any material or information obtained through or derived from the
8 Computers or the Financial Planning Model that contains any of the
9 formulas or programming code in the Financial Planning Model or any
10 analysis from which the formulas or programming code contained in the
11 Financial Planning Model could be determined.

12 5. Except with prior written consent of the Designating Party, Discovering Counsel and
13 other Authorized Individuals shall not disclose any material or information that contains any of
14 the formulas or programming code in the Financial Planning Model, or any analysis of the
15 Financial Planning Model from which any of the formulas or programming code therein could be
16 determined, except to the following persons: (a) Other Authorized Individuals. (b) Counsel of
17 record working on the above-captioned actions on behalf of any Party and counsel's employees
18 who are directly participating in these actions, including counsel's partners, associates, and
19 employed staff; provided such disclosure is in the course of a deposition or pre-trial proceeding,
20 or occurs through a Court filing or other document served on the parties in these actions. (c)
21 Court reporters and their staff, after the parties have agreed upon an appropriate procedure for the
22 material's protection including use of confidential portions of deposition transcripts. (d) The
23 Court and any person employed by the Court, in accordance with paragraph 6. (e) Witnesses at
24 depositions or pre-trial proceedings, with the provision that any portion of the transcripts of such
25 depositions and proceedings where the witness describes any formulas or programming code in
26 the Financial Planning Model shall be designated as confidential and treated as confidential
27 materials under Paragraphs 4, 5, 6, and 8 of this Protective Order. (f) Photocopy service
28 personnel who photocopied or assisted in the photocopying or delivering of documents in this

1 litigation, for the limited purpose of their performance of this work. And, (g) Any person who
2 Designating Party has confirmed in writing is an author and/or previous recipient of the Financial
3 Planning Model.

4 6. Any material or information that contains any of the formulas or programming code in
5 the Financial Planning Model, or any analysis of the Financial Planning Model from which any of
6 the formulas or programming code therein could be determined, that are filed or submitted to the
7 Court shall be marked HIGHLY CONFIDENTIAL-SUBJECT TO PROTECTIVE ORDER and
8 shall be filed ^{OR lodged} as required by California Rule of Court 2.551. This Protective Order does not
9 require sealing of a document merely because the Designating Party has designated it "Highly
10 Confidential." This Order does not change or affect the procedure or burden by which the
11 Designating Party, as the proponent of confidentiality, must establish its ultimate entitlement to
12 confidentiality or protected status for any designated materials. The Court will determine
13 whether the documents, materials, items or information are lawfully entitled to confidential
14 treatment under existing California law, including but not limited to statutes defining trade
15 secrets, as defined by California Civil Code § 3426.1(d). Until an order from the Court stating
16 otherwise, all provisions of this Stipulated Protective Order will remain in effect.

17 7. Should Discovering Counsel wish to submit to the Court a copy of the Financial
18 Planning Model in connection with any filing or pleading before this Court, MWD shall promptly
19 lodge directly with the Court one CD/DVD containing the two produced copies of the Financial
20 Planning Model, to be held by the Court conditionally under seal as authorized by and consistent
21 with the obligations detailed by California Rule of Court ("CRC") 2.550, *et seq.*, including but
22 not limited to CRC 2.551(b)(4)-(5) and (c)-(d). In accordance with CRC 2.551(a) and (b)(1)-(5),
23 MWD shall file a motion to seal within 10 days of lodging the CD/DVD conditionally under seal
24 with the Court. The parties and the Court will follow CRC 2.550, *et seq.* This Order does not
25 change or affect the procedure or burden by which the Designating Party, as the proponent of
26 confidentiality, must establish its ultimate entitlement to confidentiality or protected status for all
27 files on the CD/DVD. The Court will determine whether the documents, materials, items or
28 information contained on the CD/DVD are lawfully entitled to confidential treatment under

1 existing California law, including but not limited to statutes defining trade secrets, as defined by
2 California Civil Code § 3426.1(d). Until an order from the Court stating otherwise, all provisions
3 of this Stipulated Protective Order will remain in effect.

4 8. Any material derived from the Financial Planning Model, including printouts of
5 calculations performed using the Financial Planning Model, which do not contain any formulas or
6 programming code or enable the formulas or programming code in the Financial Planning Model
7 to be determined is not confidential and may be filed with the Court or otherwise used in the
8 above-captioned actions without being filed under seal or subject to any confidentiality terms.

9 9. The individuals listed in Paragraph 5 shall not disclose any material or information
10 obtained under Paragraph 5 to any person other than to those identified in Paragraph 5 and shall
11 not use such material or information for any purpose other than as described in Paragraphs 4 and
12 5, except to the extent the information is made public either by the Designating Party or order of
13 the Court.

14 IT IS SO STIPULATED.

15 Dated: November 1, 2013

16 By: MORRISON & FOERSTER LLP

17 /s/ S. Raj Chatterjee

18 S. RAJ CHATTERJEE

19 Attorneys for Respondent and Defendant
20 METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

21 Dated: November 1, 2013

22 KEKER & VAN NEST LLP

23 /s/ Daniel Purcell

24 By: DANIEL PURCELL

25 Attorneys for Petitioner and Plaintiff
26 SAN DIEGO COUNTY WATER
27 AUTHORITY
28

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EXHIBIT A
UNDERTAKING RE PROTECTIVE ORDER

I, _____, acknowledge that I have read the attached Protective Order entered in the actions, *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, San Francisco County Case No. CPF-10-510830, and *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, San Francisco County Case No. CPF-12-512466. I understand the terms of this Protective Order. I will comply with and agree to be bound by all of the provisions of the Protective Order. I further understand that a violation of this Protective Order may be punishable as a contempt of court.

Dated: _____

Signature: _____

Print Name: _____

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ORDER

IT IS SO ORDERED:

Dated: November 8 2017



HONORABLE CURTIS E.A. KARNOW
Judge of the Superior Court

From: Daniel Reeves <dreeves@downtownsandiego.org>
Sent: Monday, April 11, 2016 12:03 AM
To: Chin,Dawn
Subject: Comment Letter – Rates and Charges for 2017 and 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. As the Downtown San Diego Partnership expressed in a letter from our President and CEO, Kris Michell on March 16, 2016:

- 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 revisit and revise the proposed rates and charges and to produce lawful rates that are based on costs, as required by law. As such, I urge you to reject the proposed rates and charges for 2017 and 2018.

Sincerely,

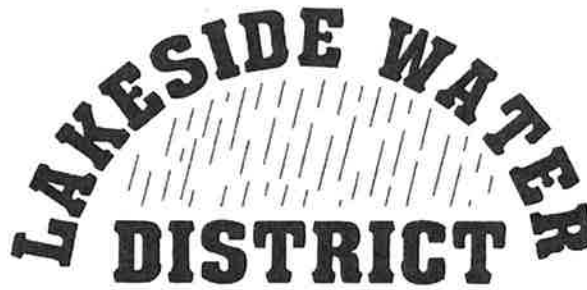
DANIEL REEVES
Senior Vice President
Economic Development & Public Policy
Downtown San Diego Partnership
401 B Street, Suite 2060
San Diego, CA 92101
P: 619.234.0201
dreeves@downtownsandiego.org

*Please note that starting December 17 we will temporarily be located at
401 B Street, Suite 2060*

San Diego, CA 92101
(619) 234-0201

BOARD OF DIRECTORS:

FRANK I. HILLIKER
STEVE JOHNSON
EILEEN NEUMEISTER
BROOKS BOULTER
PETE JENKINS



BRETT SANDERS
GENERAL MANAGER

GREG MOSER
ATTORNEY

DEXTER WILSON
ENGINEER

To: dchin@mwdh2o.com

April 11, 2016

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 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.”
- 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.
- 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.
- 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, on behalf of Lakeside Water District, and its board of directors we 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 request 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.

Sincerely,

A handwritten signature in cursive script that reads "Brett Sanders".

Brett Sanders
General Manager

10375 VINE STREET, LAKESIDE, CA 92040
(619) 443-3805 FAX (619) 443-3690

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

From: Gail Matson [<mailto:matsonsouth@cox.net>]

Sent: Monday, April 11, 2016 1:05 PM

To: Chin,Dawn

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

Ms. Chin,

I was just reading our local paper and saw an article asking for comments on our region's water supply reliability. People need to realize that although we are reducing our use there are infrastructure costs that need to be maintained or even increased.

Recently I was teaching a High School AP Government Class on Environmental Policy. Over and over it became evident that we have limited resources, our health is important as is that of our environment. We discussed infrastructure of roadways even though E-vehicles in San Diego aren't paying the tax at the pump to cover road maintenance. We talked about solar panels feeding the grid and still needing to have repair crews and technology upgrades. We even discussed the sewer lines and fresh water lines into homes and businesses. The students saw that even if we are saving there are base-line costs to maintaining our systems of delivery and removal.

In another class we talked about a psychology study in which a classroom of students is given this option: Extra Credit points will be given on a test, the option is to select 2 points or 5 points. If more than ten-percent of the students choose 5 points no one will receive the extra credit. The students then wrote at the bottom of their test pages how many extra points they wanted. Over 10% asked for the higher number so no one "Won". It is a great exercise to teach our citizens that we can only benefit if everyone does there part and isn't greedy with our resources.

Our roads are falling apart, fuel costs are increasing, and water is a precious gift we all need to survive. Please educate your consumers on why they are saving, where the monies are being spent, and what our future holds with various scenarios. It isn't right to just increase fees if the public doesn't understand WHY . . . Please explain the costs of doing business and where that revenue is obtained and how it is spent.

Thanks for taking the time to focus on the needs of our community.

Sincerely,
Gail M. Matson
Poway Resident

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.



Helix Water District

7811 University Avenue
La Mesa, CA 91942-0427

(619) 466-0585

FAX (619) 466-1823

www.hwd.com

Setting standards of excellence in public service

April 11, 2016

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

Sent via email to: dchin@mwdh2o.com

Dear Chair Record:

We appreciate the opportunity to provide comments regarding Metropolitan Water District of Southern California's rate proposal for 2017/2018. Helix Water District is the second largest water purveyor in the San Diego region and provides water to approximately 270,000 customers. We have significant concerns about how MWD's proposed rate increases will impact our customers and place additional pressures on the economy in our service area.

MWD's proposed rate increases for the San Diego region in 2017 are 62 percent for treated water and 12 percent for untreated water. Considering the average rate increase for your entire service area is 4 percent, we cannot understand how it is "reasonable and justifiable" for our customers to pay such a significant increase. Why is the San Diego region paying significantly higher rates than in previous years and how is the shift justified? How are you allocating your costs? Why the dramatic changes in your assumptions basing your proposed fixed treated water charges on average water use from 1998 thru 2007, a period that does not reflect the existing conditions or challenges? Further, in your proposed rate structure it is unclear why you are proposing a new fixed treatment charge to be applied in perpetuity, while reducing two existing fixed charges.

We are like many water agencies throughout the state faced with the impacts of the unprecedented drought. Helix Water District has kept its operating expenses flat, deferred capital and utilized reserves to help limit the rate impacts to our customers. In addition, we have sold less water which then recovers less of our fixed costs. We understand the situation MWD faces. However, rather than slowly making adjustments to your rates to help minimize the impacts to our customers, MWD is trying to fix the reduction in revenue all in one year. This will just magnify the impact to the retail water agencies.

We respectfully request MWD delay the fixed treatment charge adjustments, consider alternative solutions that are more equitable across all MWD retail agencies, and phase increases over a three to five year period to allow a reasonable time for retail water agencies to smooth adjustments.

We want to express our thanks to the Metropolitan Water District of Southern California Board of Directors and general manager for the opportunity to comment on the proposed rates, and trust our comments will be seriously taken into consideration.

Sincerely,

DeAna R. Verbeke
Board President
Helix Water District

Carlos V. Lugo
General Manager
Helix Water District

From: Keira Dillon <dillonkeira@gmail.com>
Sent: Monday, April 11, 2016 7:11 AM
To: Chin,Dawn
Subject: Comment letter - rates and charges for 2017 and 2018

MWD Board Chair Randy Record

Dear Mr. Record,

I am concerned about unfair rate increases for water in San Diego being considered by MWD. Please make the rate model public, and produce a cost of service study and rates and charges that conform with state law.

thank you,

Keira Dillon
resident of Poway, San Diego County



LOS ANGELES AREA
CHAMBER OF COMMERCE

April 11, 2016

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

Dear Chairman Record:

On behalf of the Los Angeles Area Chamber of Commerce, I write in support of The Metropolitan Water District of Southern California's proposed 4 percent overall rate increases for the next two fiscal years. This proposal is part of a responsible budget that makes 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. 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 reduce its per-capita water use, 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 cursive script that reads "Gary Toebben".

Gary Toebben
President & CEO

Santa Fe Irrigation District



April 11, 2016

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

Via electronic transmission only 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:

- 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.”
- 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.
- 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.
- The proposed new fixed treatment charge has significant impacts to ratepayers and MWD has not provided adequate time for public to review and agencies to analyze the rate impacts of this new charge. This is not good public policy – or even legal.
- The Water Authority has long supported the concept of increasing fixed revenue sources at MWD. However, this new fixed treatment 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 the public to be informed about the new and impending charge that would have significant ratepayer impact.

For these reasons, on behalf of Santa Fe Irrigation District, and its Board of Directors, I request the MWD Board of Directors 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 of Directors hold off on adopting a new fixed treatment charge until its next rate-setting cycle to allow more time for productive analysis and input by member agencies.

Sincerely,

A handwritten signature in black ink that reads "Mr. Bardin".

Michael J. Bardin, General Manager

From: Linda Kent <linda.kent@cox.net>
Sent: Monday, April 11, 2016 8:20 AM
To: Chin,Dawn
Subject: MWD Rate Changes

Regarding the rate proposal vote tomorrow, please make the rate model public and produce a cost-of-service study of rates and charges that conform with state law.

Thank you,

Linda Kent
Poway, CA



San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

April 11, 2016

Dawn Chin, Clerk of the Board
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0154

MEMBER AGENCIES

- Carlsbad Municipal Water District
- City of Del Mar
- City of Escondido
- City of National City
- City of Oceanside
- City of Poway
- City of San Diego
- Fallbrook Public Utility District
- Helix Water District
- Lakeside Water District
- Olivenhain Municipal Water District
- Otay Water District
- Padre Dam Municipal Water District
- Camp Pendleton Marine Corps Base
- Rainbow Municipal Water District
- Ramona Municipal Water District
- Rincon del Diablo Municipal Water District
- San Dieguito Water District
- Santa Fe Irrigation District
- South Bay Irrigation District
- Vallecitos Water District
- Valley Center Municipal Water District
- Vista Irrigation District
- Yuima Municipal Water District
- OTHER REPRESENTATIVE**
- County of San Diego

Re: April 11 Finance and Insurance Committee Meeting, Agenda Item 8-1: Approve proposed biennial budget for fiscal years 2016/17 and 2017/18, proposed ten-year forecast, proposed revenue requirements for fiscal years 2016/17 and 2017/18, and recommended water rates and charges to be effective on January 1, 2017 and January 1, 2018; adopt resolutions fixing and adopting water rates and charges for 2017 and 2018; and adopt the resolution finding that continuing an ad valorem tax rate at the rate levied for fiscal year 2015/16 is essential to Metropolitan's fiscal integrity.

Letter Submitting Documents into the Administrative Record

Dear Ms. Chin:

Accompanying this letter are two CD's, titled CD#8 and CD#9. These disks contain a copy of all those documents listed as Item No.'s 205 thru 242 in the attached Master Index of Documents San Diego County Water Authority Requests be Included in the Administrative Record for Setting of MWD Rates and Charges for Calendar Years 2017 and 2018 ("Master Index") correspond to SDCWA . The Water Authority requests that this letter and these documents be included in the Administrative Record.

CD#8 Contains: an index of the contents of CD#8; MWD Storage Agreements and Water Surplus and Drought Management Plan Documents dating back to 2007; indexes of video links to MWD Board Meetings for April 2014- April 2016, Finance and Insurance Committee Meetings for April 2014-April 2016, and IRP Committee Meetings 2015-2016; copies of letters and correspondences between MWD and the San Diego County Water Authority between 3/8/16 and 4/7/16; MWD Fiscal Year Billing Activity Reports for 2014 and 2015; MWD Fiscal Year Sales for 1980-2016, a Table of MWD Preferential Rights in 2015, and several documents cited in the reports referenced below.

CD#9 Contains: an index of the contents of CD#9; MWD Integrated Resource Plan (IRP) documents listed on the index of these documents.

Also attached are copies of the following reports:

1. San Diego County Water Authority - Metropolitan Water District Cost of Service Rate Review, Municipal & Financial Services Group (dated April 9, 2016).
2. Metropolitan Water District of Southern California Water Supply Assessment and Use Among its 26 Member Agency Customers, Stratecon Inc. (dated April 9, 2016) .

The Water Authority requests inclusion of this letter and its attachments, including each and every document listed in the indexes and the attached CDs, in the Administrative Record of proceedings relating to the actions, resolutions, adoption, and imposition of MWD's rates and charges for calendar years 2017 and 2018.

Sincerely



Dennis A. Cushman
Assistant General Manager

Attachments:

1. Master Index of Documents San Diego County Water Authority Requests be Included in the Administrative Record for Setting of MWD Rates and Charges for Calendar Years 2017 and 2018 (4-9-16)
2. CD#8
3. CD#9
4. San Diego County Water Authority - Metropolitan Water District Cost of Service Rate Review
5. Metropolitan Water District of Southern California Water Supply Assessment and Use Among its 26 Member Agency Customers

Attachment 1

San Diego County Water Authority
Metropolitan Water District Cost of Service Rate Review



San Diego County Water Authority

Metropolitan Water District Cost-of-Service Rate Review

April 10, 2016

***Developed by:
Municipal & Financial Services Group***

Executive Summary

MFSG has reviewed the rates and rate setting process used by MWD to set its rates for calendar years 2017 and 2018, as well as materials related to the 2010 and 2012 cases (San Diego County Water Authority vs. Metropolitan Water District), including Statements of Decision by the San Francisco Superior Court. MFSG has formed the following opinions regarding MWD's rates and rate setting process:

1. State Water Project (SWP) costs are incorrectly allocated to conveyance rates and should be recovered entirely by MWD's supply rates (the terms "conveyance," "transportation" and "transmission and distribution" are used interchangeably in this report).
2. MWD's collection of Department of Water Resources (DWR) power costs through conveyance rates deviates from cost-of-service principles and statutory (Proposition 26) proportionality requirements.
3. Collection of MWD's cost of obtaining water from the SWP through the transportation rates is a violation of industry standard cost-of-service principles.
4. Costs allocated to MWD's Water Stewardship Rate (WSR) are not charged by MWD based on cost-causation or benefit received by MWD's respective member agencies (i.e. those that cause the cost and benefit from the supply should pay for it), nor are revenues collected proportionately from those who benefit from expenditure of funds / costs incurred by MWD.
5. MWD's rate setting process fails to address functionally specific cost allocations as dictated by industry standards.
6. MWD's current rates and rate structure do not properly account for the proportional cost allocation of providing reserve capacity for fluctuations in demands as a result of individual MWD customers' use of such capacity.
7. Water supply costs are not properly allocated in MWD's rate structure given its customers' varying and proportional use of water supply and storage facilities.
8. The proposed Treatment Alternative is arbitrary and does not adhere to AWWA cost-of-service standards.
9. There is no demonstrated cost-of-service need to suspend the ad valorem tax limit imposed on MWD.

Assigned Task

MFSG was assigned several tasks related to reviewing the Metropolitan Water District's (MWD) rate setting process for fiscal years 2016-17 and 2017-18 and cost-of-service analysis for proposed water rates and charges for calendar years 2017 and 2018:

- Review the rate methodology, especially regarding the cost-of-service functional allocations and their appropriateness, given the industry standards set forth in the American Water Works Association (AWWA) Manual M1 as modified to comply with California law, principles of cost-causation set forth in Proposition 26 and the Statement of Decision on Rate Setting Challenges in San Diego County Water Authority (SDCWA) vs. Metropolitan Water District.
- Identify MWD's cost allocation methodology for all 26 of its customers.

- Replicate the rate setting process used by MWD in order to understand how its costs have been allocated and rates set to recover its costs.
- Evaluate the alternative treatment charge methodology in terms of its adherence to industry standard cost-of-service principles.
- Determine any cost-of-service need to suspend the ad valorem tax limit imposed on MWD.

After reviewing the materials provided by MWD, MFSG is unable to replicate the rate setting process used by MWD for several reasons.

First, the materials and data provided by MWD in connection with setting its 2017 and 2018 rates are not sufficient for an independent reviewer to independently confirm or validate the financial and operational source data used by MWD in its rate calculations, nor to confirm or validate the procedures and formulae used to identify or allocate cost and usage data to specific functions or services provided by MWD to its customers.

MWD has also not provided any functional cost-of-service models that would allow a third party to replicate its rate setting process beginning with the most basic budget documents. MWD's claim that its financial planning and rate model is proprietary software is on its surface not true; MWD has admitted that it utilizes a commercial software program (Excel, developed and licensed by Microsoft) for its financial planning model. MWD has not developed any software as part of, or in support of, its financial planning/rate model. MWD simply has not and will not disclose the "instructions" (formulae and operational steps) that MWD utilizes with Microsoft Excel's software to constitute and operate MWD's financial planning and rate model. For example, the Excel spreadsheets MWD has provided have the following limitations:

1. In all tables in which a total is shown to be the sum of the numbers listed in a table, the Excel function =SUM([data]) is removed, and a hard coded (i.e. typed in) number equal to the result of that function is put into the cell. The SUM function is not a proprietary function developed by MWD.
2. In all tables where percentage allocations are made, the multiplication formulas are removed and hard coded numbers are shown. The multiplication function is not a proprietary function developed by MWD.

There are numerous other examples and it is obvious that all Excel functions have been removed or disabled in the spreadsheet models provided by MWD in connection with the 2017 and 2018 rates, and none can possibly be characterized as proprietary. It is inconceivable for a public entity such as MWD to withhold such simple calculations. MWD claims that its rate setting procedure (i.e. model) adheres to industry standards. This contradicts the notion of having proprietary formulae in a rate model. There is absolutely no need for any proprietary formulae to calculate the cost-of-service rates for even the largest utilities in the world.

AWWA guidelines are sufficient in their use of basic addition, subtraction, multiplication and division to calculate cost-of-service based rates. There are other more advanced Excel functions that make cost-of-service allocations easier by expediting those basic functions, but there are absolutely no functions necessary to complete a cost-of-service allocation beyond the ones programed by Microsoft into Excel.

MFSG has reviewed the available material provided by MWD as a part of its rate setting process for fiscal years 2016-17 and 2017-18 and cost-of-service analysis for proposed water rates and charges for calendar years 2017 and 2018, and although MFSG cannot replicate the cost-of-service methodology used by MWD when setting those rates, MFSG is able to make observations and form several opinions regarding the cost allocation methodology used by MWD based on the material it has provided.

Review of 2010 Bartle Wells Supplemental Report

MFSG reviewed the 2010 supplemental report from Bartle Wells Associates dated April 12, 2010. The supplemental report concludes that:

“The rates MWD proposes to impose as of January 1, 2011 are not consistent with industry standards, fail to fairly apportion costs among customer classes in proportion to the cost of serving each, and require transportation customers to subsidize water supply customers.”

MFSG understands that the methodology used to set MWD’s 2017 and 2018 rates is the same methodology that was used to set the 2011 rates mentioned in the Bartle Wells report (except for MWD’s proposed new fixed treatment charge, discussed in more detail below). Based on an independently conducted review of MWD’s fiscal years 2016-17 and 2017-18 cost-of-service analysis and documentation for proposed water rates and charges for calendar years 2017 and 2018, MFSG agrees with the assessment of Bartle Wells Associates and concludes that MWD’s rate setting process remains inconsistent with authoritative industry standards and proper cost-of-service principles. Most notably, we agree with Bartle Wells’ finding that SWP costs are purchased water costs and therefore should be functionalized as supply costs and collected through supply rates. We also agree with the Bartle Wells’ finding regarding the Water Stewardship Rate, that conservation and local supply development are supply functions and that the notion that conservation must be encouraged by artificially inflating the cost of transportation of water through MWD facilities is inconsistent with modern day realities in California water law and policy.

Review of 2012 FCS Report

MFSG reviewed the report submitted to the Water Authority by FCS Group dated March 12, 2012. A summary of the report’s finding are as follows:

1. State Water Project (SWP) costs are incorrectly allocated to conveyance rates and should be recovered entirely by MWD’s supply rate.
2. The fees imposed by MWD on the Water Authority to transport Imperial Irrigation District (IID) and canal lining supplies through MWD facilities exceeds the cost of providing that service.
3. MWD’s collection of Department of Water Resources (DWR) power costs through conveyance and transportation rates deviates from cost-of-service principles and statutory (Proposition 26) proportionality requirements.
4. Collection of MWD’s cost of obtaining water through the SWP through the transportation rate is a violation of cost-of-service principles.

5. MWD's Water Stewardship Rate (WSR) is inequitable and does not satisfy cost-of-service and proportionality requirements; first, because it is collected on all water that passes through MWD facilities, including wheeled or transported water; and second, because the funds collected through the WSR are dispersed to member agencies disproportionately.
6. MWD's rate setting process fails to address class specific cost allocations as dictated by industry standards.
7. The current rate structure does not accurately reflect the cost of providing reserve capacity for fluctuations in demands as a result of individual MWD customers.
8. Costs related to seasonal peaking are not properly addressed in MWD's rate structure.
9. The determination made by MWD's rate consultant (Raftelis Financial Consulting) in 1999 that not enough data was available to perform a properly sophisticated cost-of-service analysis is no longer credible given the time elapsed and advances in technology since 1999.

FCS's report goes on to estimate the economic impact related to the misallocation (i.e. over charging) of the Water Authority. This economic impact is beyond the scope of MFSG's task and was not reviewed by MFSG. After reviewing the report submitted by FCS, MFSG concurs with the nine FCS conclusions listed above.

Industry Standard Cost-of-service Methodology

Identifying the revenue requirements for a utility, which means identifying the total amount of cash that is required on an annual basis to pay for the costs of the utility, includes identifying:

- Operating and Maintenance ("O&M") Costs – the direct and indirect (overhead) costs, including items such as labor, chemicals, power, supplies, etc. – the ongoing costs of operation.
- Capital Costs – the annualized capital expenses, consisting of debt service on existing debt and anticipated capital costs, whether for cash-funded projects ("Pay as You Go," or PAYGO) or the annual debt service (principal and interest) for debt to be issued.

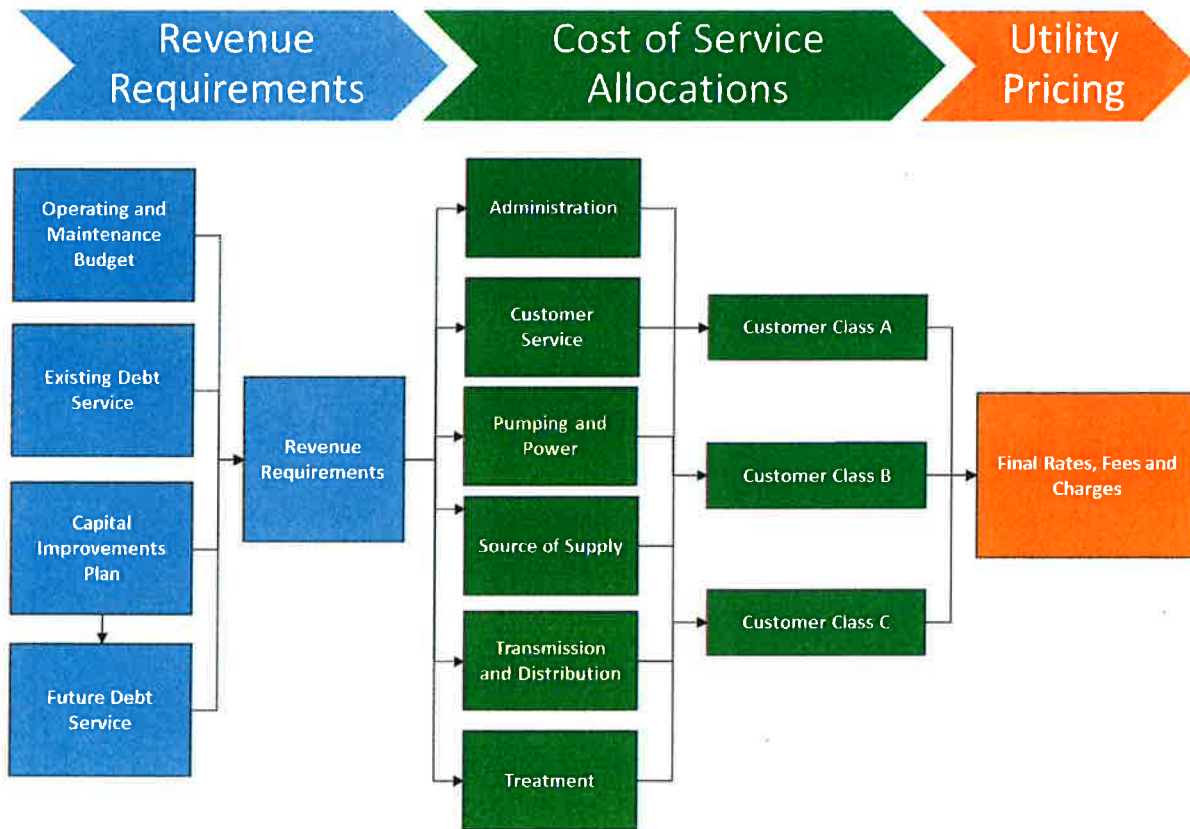
In addition, there may be reserve contributions built into a utility's rate, particularly if a utility is required to maintain certain debt coverage ratios or minimum cash reserve balances. The revenue requirements must be tied to specific budget documents that correspond to (i.e. match) the audited financial statements of the utility. The first step in any cost-of-service study is to collect financial documents that can be sourced when determining a utility's total cost of providing water and other services.

After the total revenue requirements have been determined, miscellaneous non-rate revenues are deducted from the revenue requirements. The resulting net revenue requirement is then allocated to the functions of the utility, to identify the costs to form the basis for various parts of the customer bill. The typical functions (cost elements) to which the net revenue requirement is identified / allocated based on AWWA standards are:

- Source of Supply
- Treatment
- Transmission and Distribution
- Pumping and Power

- Customer Service
- Administrative and General

The revenue requirement is identified or allocated to these functions, to establish the basis for how each type of cost is to be recovered from customers. For example, customer service costs might be allocated based on the number of accounts; meter testing and replacement might be allocated based on the number and size of meters, since larger meters cost more to repair and replace than smaller meters. Treatment and storage costs might be further subdivided into base costs and peaking costs. The cost-of-service results generate the numerator of the calculation to determine customer rates. The denominator is the customer data related to each functional category above. A basic flow chart of how this process works is shown below:



Once the costs of a utility are categorized into the above stated functions, the costs are allocated to customers based on the service requirements and demand patterns of the utility's customer base. Depending on the differences in customer habits, customers are typically grouped into classes of similar service requirements and demand patterns. Costs related to one customer class may not necessarily be related to any other classes. It is this step in the rate calculation that satisfies the necessity for equity in utility rates, proportionality under California law and uniformity under California law and the MWD Act. MWD's rate setting and cost-of-service process fails to include this critical step of grouping its customers into like classes, even with the admission contained in its cost-of-service discussion that MWD's customers are different in terms of service requirements and demand patterns. Rather than assigning its costs by customer class, MWD assigns the costs to "services," which do not account for its customers' service

characteristics or demand patterns. This is an obvious and critical omission in MWD's cost-of-service process.

Distributing Costs to Customer Classes

As outlined above, one of the cornerstones of any rate setting process is defining the various classes of customers served by a water utility. AWWA Manual M26, ***Water Rates and Related Charges***, defines customer classes as homogeneous groups of customers that are justified by similarities in service requirements and demand patterns. Both service characteristics and use patterns affect the cost-of-service, and therefore require different pricing among different customer classes in order to fairly and proportionately distribute a utility's costs among its customers. The idea is that customers with similar service requirements and patterns of use should be placed in the same class of service so that rates are nondiscriminatory and reflect, as closely as possible, the cost of providing service to each customer or customer class. Without the proper definition of customer classes, taking these service characteristics and demand patterns into account, it is impossible to properly assign costs to customers.

MWD states in its most recent cost-of-service report (p.87), "Metropolitan, a wholesaler, serves one class of customers: its member agencies." MWD then, in the next sentence, contradicts this notion of having only one customer class by stating that, "These wholesale customers use Metropolitan's facilities differently and, therefore, receive different services from Metropolitan." However, in its rate setting process, MWD fails to identify or define the different service characteristics and demand patterns of its 26 customers or group them into customer classes based on these differences it admits exist. Rather than assign its costs to customer classes, MWD assigns costs to "services," thus completely eliminating a key step in a cost based rate setting process. This issue is evident in several instances of MWD's rate setting process. For example, the way MWD allocates drought related costs makes no effort to allocate these costs equitably based upon usage. From AWWA's M1 chapter on Drought Surcharges:

"The issue of equity can often be addressed by considering the specific circumstances that create the need for the [drought] surcharge and the way in which the surcharge is assessed and collected. For equity to prevail, there should be a reasonable relationship between the amount of surcharge revenue collected from each customer class and the benefits that accrue when the surcharge revenues are used."

MWD allocates the fixed commodity costs of drought related storage costs to its annual volumetric supply rate (p. 88, Schedule 16 of the FY 2016-17 and FY 2017-18 COS analysis), which are then charged to all customers equally, without regard to the proportional extent to which its customers benefit from MWD incurring these costs. Nowhere in MWD's cost-of-service documents is there evidence of MWD's assessment of the proportional demand of each member agency for drought storage and supply.

The Water Stewardship Rate (WSR) is another example of MWD's lack of proper customer class definitions. At the outset, MWD admits that there is no actual service tied to the WSR; rather, this rate is simply a mechanism to redistribute revenues collected from all member agencies and paid to some member agencies in varying degrees to develop local water supplies. Not only does MWD improperly allocate these costs as a transportation charge (discussed in a later section), but MWD collects this rate on all water conveyed through MWD's system, including wheeled water. MWD, on page 111 of its

Proposed Biennial Budget, states that “The [WSR] programs also free up capacity in Metropolitan’s system to convey both Metropolitan water and water from other non-Metropolitan sources.” But MWD has not provided any analysis that evidences or supports this purported benefit to MWD’s distribution capacity. Most critically for purposes of this issue, MWD has failed to provide any evidence that the act of wheeling or transporting third-party water through its facilities *causes* MWD to incur any expenses in its local water resources or conservation programs, which it funds with the Water Stewardship Rate revenues. Accordingly, the collection of Water Stewardship Rate revenues from wheelers utterly fails any possible cost-of-service justification.

Further, MWD makes no distinction between the member agency customers that benefit from local supply projects funded by WSR revenues and the customers it charges to fund these projects (all customers). This violates not only cost-of-service principles, but the proportionality requirements of Proposition 26. Costs incurred to fund local supply projects should be charged proportionally, to the extent MWD’s individual member agency customers benefit from those local water supply projects. MWD has itself admitted that there is no water supply benefit to MWD from the WSR funded local supply projects.

Customer allocation is also important when it comes to MWD’s Readiness-to-Serve (RTS) charge. From page 29 of the COS Report, “The RTS recover the cost of the portion of the system that is available to provide emergency service and available capacity during outages and hydrologic variability due to intermittent droughts.” While MWD allocates emergency capacity costs of its reservoirs to the RTS, it allocates costs of reservoir drought capacity and water supplies that are held in standby for intermittent droughts to the annual volumetric supply rate. This results in annual supply customers subsidizing the drought standby customers’ intermittent demands.

MWD allocates the RTS among all member agencies based on a ten year rolling average of demand. No effort is made to identify or allocate proportionally which customers require and use the emergency service or drought standby service due to variability of local supplies – it is apparent some customers rarely require MWD to provide standby service while others routinely do so. The ten-year average of total annual demand does not properly consider the facts regarding MWD’s customers’ respective use of standby service, and therefore does not allocate the RTS charge properly among MWD’s customers.

In addition to not accounting for the admitted differences in its customers’ service needs, MWD’s demand projections do not reflect the reality of the current consumption patterns of its 26 customers. The demand projections provided by MWD and used to allocate its supply and treatment costs (such as the Water Supply Rate, the System Access Rate and the Water Stewardship Rate) are calculated using, and applied to, pass-through water sales that are not supplied or treated by MWD, specifically San Diego’s independent water supplies. When rates are allocated based on these totals, MWD is not properly identifying which costs are properly allocated to which customers based on service characteristics and demand patterns.

MWD's Use of Terminology

MWD uses certain terminology in a way that misleads and incorrectly identifies certain aspects of its rate setting procedures. For example, from MWD's FY2016-17 and FY 2017-18 Cost-of-service Report (p. 73):

"The Commodity/Demand approach was modified for its application to Metropolitan's rate structure by adding a separate cost allocation for costs related to standby."

When MWD uses the word "standby" it does not use it to mean the industry standard meaning of emergency supply in the face of outages or the reduction in the supply from a primary water source. From AWWA Manual M1 (Sixth Edition, p.173 -174):

"Standby service (and the associate [sic]) rate is different from interruptible service or a capacity reservation"

And also:

"By definition, standby service is intended to be used on a random and infrequent basis. Therefore, such service is not intended to be a major source of revenue and is not likely to have a material effect on a utility's financial sufficiency as long as the standby rate recovers any additional costs incurred to provide the service."

The industry definition of standby service is truly for emergency service, not everyday storage/treatment capacity. MWD uses the word "standby" to refer to existing capacity in its system that is accessed routinely by some of MWD's 26 customers to varying degrees. While the word "standby" seems to adequately describe the use of this supply, MWD's use of the term is not consistent with the industry standard cost-of-service definition of the word and thus contributes to distorting proper cost allocations.

MWD Cost-of-service Allocations

State Water Project – MWD improperly allocates a large portion of the price of water purchased by MWD from the California State Water Project (SWP) as a transportation cost rather than properly allocating it as a supply cost (COS Report, p. 77). This results in unjustifiably higher cost allocations to MWD's customers who use MWD's transportation service to convey non-MWD water and unjustifiably lower cost allocations for customers who buy water from MWD.

MWD makes reference to the Federal Energy Regulatory Commission (FERC) on page 94 of their COS report –

"The treatment of Metropolitan's Conveyance and Aqueduct facilities as one integrated system for purposes of rate-setting is not uncommon or novel. The Federal Energy Regulatory Commission (FERC), for example, recognizes the practice of rolling the costs of transmission facilities into a single rate when the facilities are part of an integrated system. The practice is recognized regardless of legal ownership of (or entitlements in) a particular facility."

The above statement is misleading. This appears to be a reference to FERC Order 1000 (136 FERC 61,051, July 2011) which modifies the rules governing when electric utilities share the cost for capital investments

into transmission facilities. The order provides six principles to govern when and how electric utilities share the cost of transmission facilities. Two of these principles would apply directly to Metropolitan's behavior, if it were an electric utility being regulated under Order 1000, and likely result in FERC finding the cost allocation scheme not "just and reasonable". Principle two states that there is "no involuntary allocation of costs to non-beneficiaries" of a transmission facility – this essentially requires direct physical contact to the facility being paid for; and principle three states that the cost-benefit ratio for services provided should not exceed 1.25 unless the public utility provides justification to FERC, and FERC approves, a higher ratio. Here Metropolitan wants to fill the role of both the rate setting utility and the oversight agency. When FERC approves a utility's rates, it ensures the process is transparent, judges objectively, and guarantees that the rates are just and reasonable. By collapsing the role of the utility and the agency into a single entity, Metropolitan removes the transparency and objectivity from this process, and so may not claim the same level of deference as FERC.

MWD is a wholesale customer of the SWP. The cost of moving water through the SWP for delivery to MWD is included in the SWP water supply costs borne by MWD. After the point of delivery, there is no rational basis for allocating SWP costs to any other MWD function but **water supply**. As far as MWD customers are concerned, the SWP costs are paid for by the time the SWP water reaches MWD's transmission system. MFSG agrees with the previous expert reports on the subject (FCS and Bartle Wells) and the Phase I decision by Judge Curtis E.A. Karnow that, "Met's conveyance rates over collect from wheelers because Met allocated all of the State Water Project costs for the transportation of purchased water to its conveyance rates." (August 28 Statement of Decision, p. 13). Moreover, MWD has not described how or to what extent to which wheeling uses the SWP aqueduct (Statement of Decision, p. 54). The transmission costs of the SWP should be passed through to MWD customers as a supply cost only.

Debt Allocation – MWD allocates both current and anticipated future debt based on its current asset base (i.e. current net book value of its assets, including work in progress). That is, a certain proportion of total debt is allocated (for rate making purposes) to each of MWD's asset categories based on the dollar value of current assets, not the debt (currently held or planned) associated with each asset category. This methodology would be more acceptable if all 26 of MWD's customers were uniform in their use of MWD's assets, which as stated previously, MWD admits is not the case. For example, MWD's treatment plants do not uniformly serve its 26 customers. When MWD issues debt to rehabilitate or repair a specific treatment plant, the debt payment related to that rehabilitation is spread over all of MWD's assets, including source of supply, conveyance and storage. It is a clear violation of cost-causation principles to allocate treatment related debt to anything other than the customers served by the treatment assets that cause the need for debt to be issued. See the following table:

Functional Categories	NBV for FY 2018	% of Total NBV
Source of Supply	26,956,288	0.3%
Conveyance and Aqueduct	1,721,625,421	21.1%
Storage	1,974,847,640	24.2%
Treatment	2,542,059,665	31.1%
Distribution	1,468,515,134	18.0%
Administrative and General	321,024,887	3.9%
Hydroelectric	113,543,153	1.4%
Total	\$ 8,168,572,190	100.0%

Source: COR Report p.66. Totals may not add due to rounding.

If, for instance, MWD issues debt in the amount of \$100,000,000 to expand its storage capacity, then \$31,100,000 (31.1%) of that debt would be allocated under MWD's methodology to treatment, and charged on the treatment rate. This is more than the portion \$24,200,000 (24.2%) that would be allocated to storage. Clearly this is not a cost-causation related allocation. Because of this, the above stated allocation methodology unjustifiably allocates certain costs to customers who do not make use of certain assets. This cost allocation is not consistent with proper cost-of-service standards as outlined in AWWA Manual M1 and is not consistent with the proportionality requirements of Proposition 26.

Demand Management – As noted earlier, MWD misallocates costs related to its demand management program (collected through the Water Stewardship Rate) to conveyance. As discussed above, demand management is not a service that MWD provides and the WSR is a mechanism to redistribute revenues collected from all member agencies and paid to some member agencies in varying degrees. To the extent that MWD spends funds on demand management, those costs should be allocated to supply exclusively, and proportionally to the MWD customers who benefit from the costs MWD incurs. As per MWD's own guidelines for considering incentives for demand management projects states,

"[The] project must replace an existing demand or prevent a new demand on Metropolitan's imported water deliveries either through direct replacement of potable water or increased regional groundwater production." (10/14/2014 Board Meeting Letter 8-4, Attachment 1, page 1)

And also:

"The current program was adopted in 2007 with a goal of incentivizing 174,000 AFY of new annual production." (10/14/2014 Board Meeting Letter 8-4, Attachment 1, page 2)

And also,

"For projects proposed by member agencies, Metropolitan would consider the following:

- *Water quantity to ensure that the project makes a meaningful addition to regional supply reliability*
- *Water quality to confirm that project water will meet all water quality objectives,*
- *Ensure that the project helps meet the IRP resource needs*
- *Ability to help address current and future drought conditions*

- *Impacts to Metropolitan's cash flow (delivered cost of the project)*
- *The need for Metropolitan's involvement to expedite project completion*
- *The availability of Metropolitan resources to expedite project completion, and*
- *Compliance of the project with all permitting and environmental requirements."*

These, particularly the first four bullets, are strictly related to MWD's water supply. Nowhere in the explicitly stated considerations is any mention of any requirement that a project increase transmission capacity in MWD's system as a result of any Local Resources Program (LRP) project, let alone what the benefit of such increases capacity would be. And no evidence has been presented by MWD of any such transportation benefit. Furthermore, there is no mention anywhere in any MWD document or analysis provided in connection to this rate making that the act of wheeling or transporting independent water supplies in MWD facilities *causes* MWD to incur these local water resource development and conservation program expenses. This fails the cost-causation test that is the core tenet of cost based rate making.

In the April 24, 2014 Statement of Decision issued by Judge Karnow, he states that there may be some avoided costs related to conveyance as a result of these projects, but "the best we can do with this record is to conclude that to some unspecified extent, some portion of the Water Stewardship Rate is causally linked to some avoided transportation costs. This is not enough to show that the costs of the service have a reasonable relationship to the service provided." And further, that, "The Raftelis 1999 report suggests 50-50 allocation, but that suggestion was made simply because no data supported any other allocation; the number is wholly arbitrary, as is the allocation of 100% of these Water Stewardship Rate charges to transportation."

In the 2016-17 and 2017-18 cost-of-service analysis on page 96, MWD states that, "In fact, Metropolitan's Demand Management Programs result in a reduction in demand for imported water supplies." MWD continues to state that, "It is this reduced demand that defers or avoids capital costs to build, expand, or maintain conveyance and distribution facilities." While this might occur in some circumstances, MWD has still made no effort to identify or calculate this avoided cost to determine the proper allocation between supply and transportation. Without a cost-of-service-based calculation of a cost avoidance related to any demand management project, this rate is arbitrarily set and not based on industry standard cost-of-service. In the event that MWD could demonstrate an actual avoided transportation cost as a result of any demand management project, MWD would also need to demonstrate in assigning any such costs to wheeled water that it is the wheeling that caused the costs to be incurred as opposed to increased capacity being needed to transport MWD water. Because MWD has failed to demonstrate that the wheeling transaction *caused* MWD to incur the expense for which it has charged the Water Stewardship Rate, MWD has failed the cost-causation test.

The costs of MWD's subsidy "incentives" must be borne proportionally by the customer member agencies receiving the supply benefit as a result of the subsidy "incentives" from MWD in order to comply with industry standards for equity and California legal requirements that costs and benefits be measured and assigned proportionally.

Proportionality and Proposition 26

As discussed earlier, MWD's rate setting procedure has no proportionality analysis based on MWD's 26 customers. Proposition 26 requires three specific things of a public agency setting rates and/or fees:

1. Revenues cannot exceed the costs required to provide the service
2. Revenues cannot be used for any other purpose than to recover costs related to the service provided
3. Amount of any fee cannot exceed the proportional cost of the service attributable to a customer

Requirements number one and three are not addressed at all by MWD's current cost-of-service methodology. Specifically, MWD makes no effort to identify which customers use which service categories when being allocated costs functionalized based on service category.

Because MWD may not, as a California special purpose government entity, collect general fund revenues to provide services outside the scope of water supply/treatment/storage/delivery, requirement two applies within the context of utility service – that is, cost-based revenues should only be used to recoup expenses related to a specific service. Not only has MWD recovered revenues far in excess of its costs to provide services, it has spent these excess revenues in a non-budgeted way on things not tied to any purpose for which the revenue was collected.

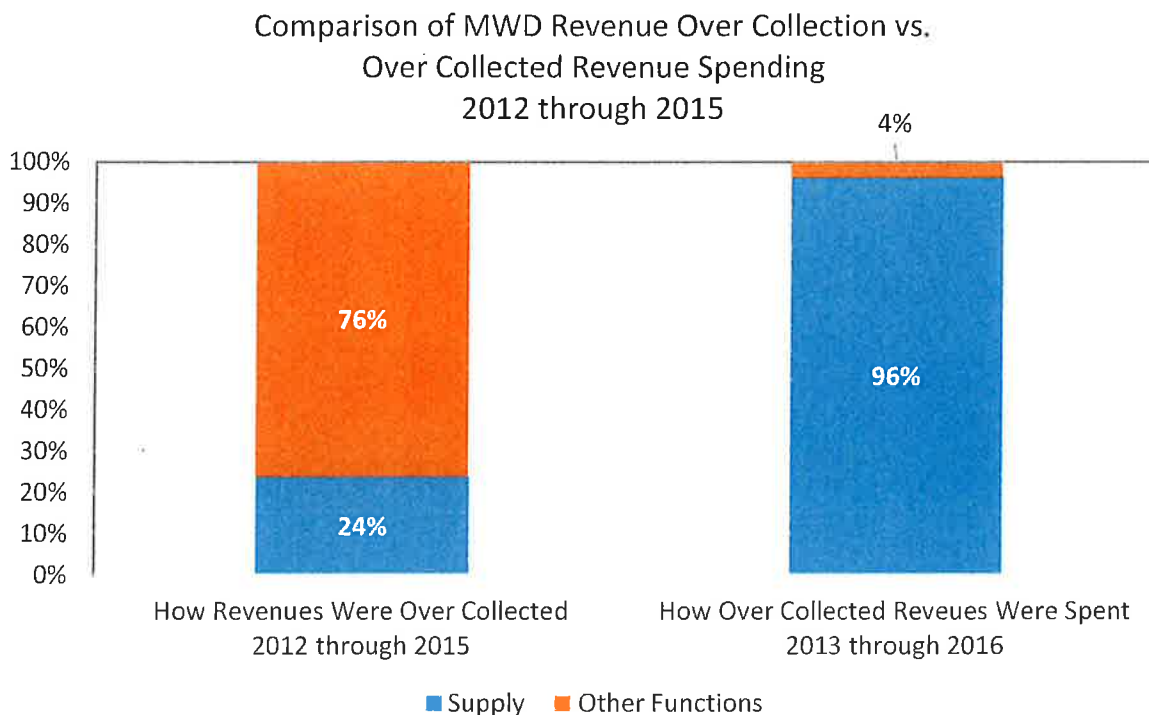
The most notable example of MWD disregarding proportionality is the methodology used to allocate what it calls "standby" and "emergency" storage, only about a third of which is paid for by the RTS. MWD claims that what it provides is "insurance" in the form of additional storage for when member agencies need additional water supply (MWD Board Workshop #4 Transcript, March 22, 2016). What MWD does not do is allocate the costs of this storage capacity and supply inventory with any recognition of who benefits from this "insurance." These costs are allocated based on average demand (MWD Board Workshop #4 Transcript, March 22, 2016), which fails entirely to identify or determine which member agencies are using the emergency storage capacity and supply and in what proportion.

MWD has made references to the "unknown" and uncertainties related to climate change, but makes no reference to such preparations in its cost-of-service report, and therefore has made no allocations based on the projected need of any of their member agencies associated with climate change.

Revenue Over Collection

It can be shown that MWD has over collected revenues and spent said revenues on a non-budgeted, non-cost-of-service basis. Based on analysis of revenues vs. expenses presented by MWD for FY 2012 through FY 2015, MWD collected revenues above and beyond its revenue targets and revenue needs to fund the operating and capital costs of its system each year, and spent these "excess" dollars on various purposes, programs and projects, including capital projects, operations and maintenance expenses, and conservation that was never included in its budget (which served as the basis for the rates and fees it charged in the first place). Based on MWD's supporting documents (including financial presentations, flow data and spending data), the money generated from transportation related rates accounted for an average of 75% of "excess revenues" from FY 2012 to FY 2015, however 96% of these excess revenues

were spent on supply related projects (as defined by MWD) in those years. That is, all revenues that are collected above and beyond budgeted expenses are spent without regard to why the revenues were collected or the extent to which they were over collected proportionally among MWD's member agencies. The following chart illustrates the sharp difference in how revenues were over collected and how they were spent.



Assumption: % of revenues over collected = % of revenues collected

In stark contrast to its own practice, refusing to maintain balancing accounts or true up at the end of one revenue period and the beginning of the next, it should be noted that MWD requires such a re-balancing from the California Department of Water Resources (DWR) annually on DWR's statement of charges sent to MWD. For example,

The Conservation Replacement Accounting System charge of \$0.8 million was removed in the rebill since the capitalization of projects and modification of costs resulted in an over-collection of the charge, which will be refunded to the contractors separately from the Statement of Charges. The Metropolitan Water District of Southern California Report on the Audit of Metropolitan's 2015 Charges for the State Water Project Issued by State of California Department of Water Resources.

MWD staff has stated that the result of its rate setting process will be the collection of revenues that exceed actual expenditures in seven out of ten years (April 8, 2013 F&I Meeting, 24:21 into the recording available on MWD's website). MWD does not re-balance ("true up") revenues and expenditures as a part of its bi-annual budget process. However, among regulated utilities, this "true up" is a common industry practice designed to ensure the integrity of cost based rate making. The California Public Utilities Code

(CPUC) describes the process of using Balancing Accounts to determine whether costs or revenues were higher each year, and account for such a discrepancy in the following year's budget. CPUC Section 792.5 States:

"Whenever the commission authorizes any change in rates reflecting and passing through to customers specific changes in costs...the commission shall require as a condition of such order that the public utility establish and maintain a reserve account reflecting the balance, whether positive or negative, between the related costs and revenues, and the commission shall take into account by appropriate adjustment or other action any positive or negative balance remaining in any such reserve account at the time of any subsequent rate adjustment."

While MWD is not a PUC-regulated utility, industry best practices dictate that during each budget cycle the utility make its best effort to align projected expenses with projected revenues. It is understandable that the two never match exactly at the end of a fiscal year. However, the difference in revenues and expenditures (especially in the case where revenues exceed expenditures) should be accounted for in each budget cycle, so that over the course of time, and on average, revenues equal expenditures. MFSG does not see any effort made by MWD to account for this in its budget. This has led to the recent practice of revenue collection far in excess of the cost-of-service and the subsequent spending of the excess revenues collected from one service function being spent on projects related to other service functions. Such cross subsidization is not permitted as a general matter of cost-causation and allocation principles for both industry standards and is constitutionally prohibited under Proposition 26.

Treatment Rate Alternative

MFSG has reviewed the proposed alternative treatment cost allocations presented by Raftelis Financial Consultants (RFC) to the MWD Board. Absent the net book value model and rate setting model, neither of which has been provided by MWD, MFSG cannot determine if the cost allocations presented by RFC are consistent and compliant with industry standard cost-of-service allocations, both as to the allocation of costs between fixed vs. variable costs, and (within fixed costs) allocations between commodity, demand, and standby costs.

However, MFSG can state with certainty that the allocation of purported fixed costs based on the proposed two-part test (i.e. the greater of a ten-year average consumption from 1998-2007 or the most recent ten year rolling average) is not consistent with the proper cost-of-service methodology outlined in AWWA Manual M1 or the principles of cost-causation under Proposition 26. Selection of the time period 1998-2007 is at best arbitrary, or, calculated to achieve a specific outcome in the assignment of costs unrelated to cost-causation.

Cost-of-service principles dictate that current costs be allocated based on current demand. RFC's treatment charge alternative presentation suggests that allocating current fixed costs based on FY 1998 through FY 2007 is appropriate because that is when MWD did its last significant treatment plant capacity addition. This capacity addition is **not an ongoing "fixed" operating cost related to treatment**. While there are fixed costs related to operating the treatment plants currently, the consumption habits of an MWD customer from 1998 to 2007 has no rational nexus to allocating the current treatment costs (fixed or variable) in FY 2016-17 and FY 2017-18.

The "Test Year" for any rate setting process must reflect one of two things: the most recently available actual data (current year) or the most reasonably projected data for next year. Regardless of the cost allocation, neither of the results of the two-part test proposed by RFC reflect a legitimate basis upon which to charge customers for current or future treatment costs.

It is also clear from the Cost-of-service report that MWD is no longer allocating the same costs to treatment. MWD's Capital Improvement Plan contains about \$600 million in additional treatment improvements while projecting that the treatment charge will decrease. It is implausible that the nature of these improvements reduces MWD's treatment operating expenses in a way that would result in such a decrease.

Ad Valorem Tax Limit Suspension

MWD has the authority to levy ad valorem taxes to raise revenue needed to pay certain debt obligations and SWP costs. This tax levying ability is limited based on Section 124.5 of the MWD Act. MWD's Board Letter 8-1 says specifically:

"Since FY 1990/91, Section 124.5 of the Metropolitan Water District Act (MWD Act) has limited property tax collections to the amount necessary to pay the total of annual debt service on Metropolitan's general obligation bonds plus a small portion of its SWC payment obligation, limited to the preexisting debt service on state general obligation bonds (Burns-Porter bonds) for facilities benefitting Metropolitan"

MWD has the ability, based on the same section of the law, to suspend this limit if after a public hearing, the MWD Board determines that the limit must be suspended to raise revenue essential to the fiscal integrity of the District. MWD has used this ability to suspend the limit on the ad valorem tax in Fiscal Years 2013-14, 2014-15, and FY 2015-16. In the material provided for the April 12, 2016 Board meeting, specifically Board Letter 8-1, it is recommended by MWD staff that the Board once again suspend the tax limit for FY 2016-17 and FY 2017-18.

MFSG cannot opine on the necessary level of demonstration required for MWD to show that additional tax revenues are "essential for the fiscal integrity" of the District. MWD itself (in Board Letter 8-1) admits that SB 1445 does not define "essential" or "fiscal integrity", but determines that the full text of the provision, the legislative context, and the legislative history provide guidance to their intended meaning. However, MWD does not go into any detail as to its exact interpretation of this intended meaning.

MFSG's opinion on the matter is limited to exactly how these purported essential revenues should be raised and allocated to its customers within a cost-of-service perspective. First, based on the supplied material, MFSG has determined that MWD finds it appropriate to suspend the limit on its taxing ability for the following reasons:

1. MWD will see increases in SWC costs (Board Letter 8-1, p. 11)
2. MWD must maintain a balance between fixed and variable revenues (Board Letter 8-1, p. 12)

3. Other fixed revenue generation options are “unavailable or impractical” (Board Letter 8-1, p. 12)

The first reason (SWC cost increases) has already been shown by multiple experts (and ruled by the courts) to be a supply cost increase, and therefore should be allocated to MWD’s supply rate to align these costs with the service function by which these revenues should be collected. This is certainly an available option, and would be the most appropriate option in terms of a cost-of-service basis for generating SWC revenue.

MWD cites the need for “revenue stability” when considering the need to suspend the ad valorem tax limit. MWD does not, however, cite any specific policy or need to raise a certain amount of fixed vs. variable revenue. Nor does it attempt to explain what percentage of fixed revenues would qualify as essential to the fiscal integrity of the District, which is the condition upon which it has the authority to suspend the tax limit. In short, MFSG cannot deduce exactly what target MWD has for fixed revenues.

MWD’s existing RTS charge - a fixed charge - is authorized by the MWD Act. As a result, MFSG fundamentally disagrees with the determination by MWD that an increase in ad valorem taxation is “essential” to achieve MWD’s revenue stability objective. In fact, Attachment 5 to MWD’s April 12, 2016 Board letter (Engineer’s Report, p. 10) states that the existing RTS charge “will result in greater water rate stability for all users throughout Metropolitan’s service area.” The same report sets the potential benefit amount that could be generated by the RTS to be over \$406 million. The report then recommends to only collect \$144 million from the FY 2016-17 RTS charge – only 34 percent of the costs for which MWD states it could collect from the RTS charge. Not only is MWD foregoing the obvious – and more cost-of-service-compliant basis – opportunity to **increase** the RTS charge (to recover as much as 100 percent of the costs for which the RTS charge was designed), MWD instead proposes to **decrease the RTS charge** over the next two years. Clearly the option of maintaining or increasing the RTS is a readily available option for MWD and, as such, undermines MWD’s claim that suspending the tax rate limitation of its Act is “necessary to the fiscal integrity of the district

For these reasons, and solely from a cost-of-service perspective, MFSG disagrees with the determination that MWD must suspend the limit of its ad valorem taxing authority. Indeed, by suspending the limitation and not allocating these costs to the appropriate service function (i.e. supply), MWD is understating the cost-of-service related to its Supply Rate, contrary to industry standard practices relating to cost-causation and principles related to Proposition 26.

Conclusions

In the opinion of MFSG, MWD's rates do not meet industry standards, are not based on cost-causation principles and fail entirely to assess the proportional benefits MWD's 26 customer member agencies receive from the costs MWD incurs.

Attachment 2

Metropolitan Water District of Southern California
Water Supply Assessment and Use Among its 26 Member
Agency Customers



**Metropolitan Water District of Southern California Water Supply Assessment
and Use Among its 26 Member Agency Customers**

By

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The San Diego County Water Authority requested Stratecon Inc. conduct a water resource analysis of the sources and demands for the Metropolitan Water District of Southern California ("Metropolitan")'s water supplies. A primary objective is to identify how material changed circumstances in Metropolitan's supplies and variability in Metropolitan's water sources and member agency water demands drive the magnitude and timing of costs incurred by Metropolitan. The analysis includes a short examination of the historical record of Metropolitan's water supplies and water demands and an analysis of the projected demand for Metropolitan water. Based on this information, the discussion then addresses what uses and users are causing the magnitude and timing of costs incurred by Metropolitan.

Material Changed Circumstances and Risks

Metropolitan's operations and programs must be understood within historical context as well as material changed circumstances in Metropolitan's water supplies and its 26 member agency customers' water demands. As observed by Metropolitan Water District Blue Ribbon Task Force in 1994, "current demand and supply volatility makes defining (Metropolitan's) optimal water resource mix much more complex than in the past."¹ Metropolitan and certain of its member agencies available water supplies have been materially impacted by changed circumstances including:

- Starting with the Mono Lake decision, Los Angeles has experienced significant declines in the availability of water from the Los Angeles Aqueduct and caused an increased demand on Metropolitan's water supplies.
- The era of a full Colorado River Aqueduct ended as the impact of the U.S. Supreme Court decision in *Arizona v. California* caught up with Metropolitan, causing a substantial reduction in Metropolitan's available Colorado River low cost water supplies, which was only mitigated by implementation of the Quantification Settlement Agreement ("QSA") and related agreements in 2003.
- Increased restrictions on operations of the State Water Project ("SWP") reversed a trend of increasing SWP water allocations in the late 1990s and early 2000's and a new trend of decreasing SWP water allocations starting in 2003 that has caused a reduction in the availability of SWP water supplies.
- Some of Metropolitan's member agencies have developed and are developing local water supplies to reduce their demands on Metropolitan, including most prominently programs undertaken by the San Diego County Water Authority, while other agencies' reliance is increasing.

Understanding the consequences of material changed circumstances and risks is essential in order to properly assess what is currently causing Metropolitan to incur costs and the proportional benefits to Metropolitan's member agencies.

¹ "Metropolitan Water District Blue Ribbon Task Force", Final Report January 1994, p. 5.

Metropolitan's Water Sources

Metropolitan's principal water resources are based on Colorado River rights and a contract to purchase water from the California State Water Project ("SWP"). For different reasons discussed below, the year 2003 represented a turning point in the availability of water from these sources. Simply stated, the amount and reliability of Metropolitan's water supplies in 2003 and thereafter are materially lower than before 2003. As a result, Metropolitan incurred and is continuing to incur increased costs to meet the varying demands of its member agencies.

Colorado River Water Supplies

Under a 1931 Agreement among California parties, Metropolitan has a Priority 4 right for 550,000 acre feet ("AF") per year and Priority 5 right of 662,000 AF per year of the total consumptive use of Colorado River water available to California.² These priorities are junior to 3.85 million AF of Colorado River water for Priorities 1, 2 and 3.³ Given that California's total annual entitlement to Colorado River water equals 4.4 million AF, Metropolitan will receive water under its Priority 5 right only when there is unused entitlement water from Arizona or Nevada or when there is surplus Colorado River water in the Lower Basin.⁴

The historic record of Colorado River water deliveries can be divided into two periods: pre-2003 and 2003 and thereafter (see Chart 1).⁵ Before 2003, Metropolitan routinely received water under its Priority 5 right. In 30 of the 39 years for the period 1964-2002, Metropolitan's Colorado River water supplies ranged between 1.1 million AF and 1.3 million AF per year.⁶ During the last decade of the 20th Century, Arizona and Nevada's use of Colorado River water was rapidly approaching their Colorado River water entitlements. As a result, the availability of water under Metropolitan's Priority 5 right to keep Metropolitan's Colorado River Aqueduct full had come to an end. The loss of this Colorado River water would have been even more devastating to Metropolitan and its member agencies absent the execution of the Quantification and Settlement Agreement ("QSA") and related agreements in 2003.

Since 2003, there have been two sources of Colorado River water conveyed through Metropolitan's Colorado River Aqueduct: (i) Metropolitan water available under its Priority 4 right, own transfer agreements and programs discussed below and (ii) San Diego County Water Authority's Colorado River water acquired under its long-term water and conservation

² Boulder Canyon Project Agreement, Requesting Apportionment of California's Share of the Waters of the Colorado River Among the Applicants in the State, August 18, 1931, Sections 4 and 5.

³ *Ibid*, Section 3.

⁴ The text ignores Metropolitan's liability for a cutback in its Priority 4 right when the use of Colorado River water by California Indian Tribes and miscellaneous Present Perfected Rights exceeds 14,500 AF per year (see discussion below).

⁵ Compiled from Decree Accounting Reports 1964-2014, *Arizona v. California*, U.S. Bureau of Reclamation, <http://www.usbr.gov/lc/region/g4000/wtracct.html>.

⁶ The Colorado River water in excess of Metropolitan's Priority 4 right was almost unused entitlement water from Arizona and Nevada during this time period. Starting in 1989, Metropolitan's water conservation agreement with the Imperial Irrigation District generated about 100,000 AF per year of conserved Colorado River water, although 20,000 AF of this amount was available to the Coachella Valley Water District. Therefore, the amount of Colorado River water available to Metropolitan under its agreement with the Imperial Irrigation District accounted for a minor share of the water available to Metropolitan above its Priority 4 right.

agreement with the Imperial Irrigation District (“IID”) and the lining of the All American Canal and the Coachella Canal. For the 2003-2014 time period, the annual amount of Colorado River water conveyed through the Colorado River Aqueduct averaged 856,720 AF, of which 752,255 AF were Metropolitan’s Colorado River water supplies and 104,454 AF were San Diego’s Colorado River water supplies (see Table 1).⁷ Concerning future Colorado River water supplies, San Diego’s supply situation is firm—set in contract—while Metropolitan’s Colorado River water situation is more complex. Both San Diego and Metropolitan have incurred and will incur substantial costs in order to ensure availability of Colorado River water in the future.

Table 1
Average Annual Colorado River Water Supplies (AF): 2003-2014

Metropolitan	San Diego	Total
752,255	104,454	856,720

Starting in 2018, the quantity of conserved water transferred from IID to San Diego will increase from 100,000 AF per year (the amount in 2014) and ramp up to 205,000 AF by 2022 due to a three year period of early transfer water. By 2023, the primary transfer volume will stabilize at 200,000 AF.⁸ Therefore, San Diego’s total Colorado River water supplies will increase from 180,000 AF in 2014 to 280,000 AF by 2023. San Diego will pay for this water supply and therefore Metropolitan need not incur any costs in order to meet this demand.

Metropolitan has entered into long-term water conservation agreements with IID and the Palo Verde Irrigation District (“PVID”). Metropolitan recently purchased land in PVID and is now the largest landowner in the District. Metropolitan also has access to unused Priority 3 water, ICS credits and engages in interstate banking arrangements and related transfers with the Southern Nevada Water Authority.

Metropolitan-IID Water Conservation Agreement. Table 2 shows the historic record of Colorado River water available to Metropolitan under its IID water conservation agreement since 2003.⁹ The annual amount of water conserved averaged 103,943 AF. After CVWD’s exercise of its right of up to 20,000 AF per year under a 1989 Approval Agreement, the net supply of Colorado River water available to Metropolitan averaged 90,863 AF.

Table 2
Water Conservation under the IID/Metropolitan 1988 Agreement

<i>Year</i>	<i>Conserved Water</i>	<i>To CVWD</i>	<i>Net Supply</i>
2003	105,130	0	105,130
2004	101,900	20,000	81,900

⁷ Compiled from Decree Accounting Reports in *Arizona v. California*, 2003-2014.

⁸ “Colorado River Water Delivery Agreement: Federal Quantification Settlement Agreement”, October 10, 2003, Exhibit B <http://www.usbr.gov/lc/region/g4000/crwd/crwd.pdf>.

⁹ Compiled from Decree Accounting Reports in *Arizona v. California*, 2003-2014.

<i>Year</i>	<i>Conserved Water</i>	<i>To CVWD</i>	<i>Net Supply</i>
2005	101,940	20,000	81,940
2006	101,160	20,000	81,160
2007	105,000	20,000	85,000
2008	105,000	16,000	89,000
2009	105,000	12,000	93,000
2010	105,000	8,000	97,000
2011	103,940	4,000	99,940
2012	104,140	10,463	93,677
2013	105,000	6,693	98,307
2014	104,100	19,795	84,305
Average	103,943	13,079	90,863

Metropolitan-PVID Land Fallowing Agreement. Metropolitan and PVID entered into a 35-year land fallowing agreement in 2004 providing for a minimum of 33,000 AF and a maximum of 133,000 AF of conserved Colorado River water.¹⁰ Table 3 provides the annual amount of water conserved under the program.¹¹ In 2009, Metropolitan and PVID entered into a one-year supplemental fallowing program that conserved an estimated 24,100 AF of Colorado River water in 2009 and an estimated 37,900 AF of Colorado River water in 2010.¹² The annual amount of water conserved by land fallowing agreement has averaged 93,489 AF.

Table 3
Water Conserved by Metropolitan/PVID Land Fallowing Program

<i>Year</i>	<i>Acre Feet</i>
2005	108,666
2006	102,039
2007	65,300
2008	94,303
2009	144,325
2010	148,614
2011	122,216
2012	73,662
2013	32,750
2014	43,010
Average	93,489

¹⁰ Metropolitan Water District, Urban Water Management Plan (2010), p. 3-6.

¹¹ Compiled from Decree Accounting Reports in *Arizona v. California*, 2003-2014.

¹² Urban Water Management Plan, p. 3-6.

Under the QSA, Metropolitan's available Colorado River water is adjusted annually depending on whether the consumptive use of Colorado River water under Priority 1, 2 and 3b is below or above 420,000 AF.¹³ Priority 1, 2 and 3b are, respectively, the consumptive use of Colorado River water by PVID, the Reservation Division of the Yuma Project and the Lower Palo Verde Mesa.¹⁴ By reducing PVID's use of Colorado River water, PVID land fallowing increases the amount of Colorado River water available to Metropolitan (see Chart 2).

Chart 3 plots Metropolitan's Agricultural Adjustment (on the vertical axis) versus the amount of water conserved by PVID land fallowing (on the horizontal axis) to illustrate how land fallowing under Metropolitan's agreement with PVID is a key driver of Metropolitan's Agricultural Adjustment. The annual variation of the amount of water conserved by land fallowing explains 95% of the annual variation in Metropolitan's Agricultural Adjustment for available Colorado River supplies from the consumptive use of Priority 1, 2 and 3b. For the period 2005-2014, "Metropolitan Agricultural Adjustment" has averaged 16,596 AF. Even though PVID land fallowing averaged 93,489 AF during this time period, there has been sustained overruns by Priority 1, 2 and 3b relative to the 420,000 AF benchmark.

Metropolitan must engage in significant land fallowing to offset its liability for underwriting the risk that the consumptive use of Colorado River water by Priority 1, 2 and 3b (plus Yuma Island) exceeds 420,000 AF per year. Metropolitan must conserve about 82,000 AF of water by land fallowing for Metropolitan to avoid its liability for Priority 1, 2 and 3b overruns (see Chart 3).¹⁵ With an annual average of 93,489 AF of land fallowing, Metropolitan's net increase in annual Colorado River water supplies after accounting for the liability of Priority 1, 2 and 3b overruns is 16,596 AF.¹⁶

In July 2015, Metropolitan purchased 12,782 acres (of which 12,049 acres are irrigable) in the Palo Verde Valley within PVID.¹⁷ When combined with an earlier purchase of 8,000 acres from San Diego Gas & Electric in 2001, this brings Metropolitan's ownership to about 20% of the acreage in the Lower Palo Verde Valley. Public reports indicate that Metropolitan staff is in the process of establishing a land management strategy for the acquired lands.¹⁸ Presumably, a strategy may be developed to increase the amount of Colorado River water available to Metropolitan.

Unused Priority 3 Water. Under the QSA, IID and CVWD, respectively, have a Priority 3 right to 3.1 million AF and 330,000 AF of consumptive use of Colorado River water. These quantifications are adjusted for transfers, including canal lining projects. To the extent that the

¹³ Colorado River Water Delivery Agreement: Federal Quantification Settlement Agreement", October 10, 2003, Section 4d <http://www.usbr.gov/lc/region/g4000/crwda/crwda.pdf>

¹⁴ The Bureau of Reclamation also includes the use of Colorado River water on Yuma Island in the calculation.

¹⁵ The value of "x" that yields an estimated MWD Adjustment of zero.

¹⁶ 16,553 AF equals the projected Metropolitan Agricultural Adjustment from Chart 3 when PVID land fallowing equals 93,489 AF.

¹⁷ See "Metropolitan Buys a Large Block of Land within PVID", *Journal of Water*, October 2015, <http://journalofwater.com/jow/metropolitan-buys-large-block-of-land-in-pvid/>.

¹⁸ *Ibid.*

actual consumptive use of Colorado River water is less than the adjusted entitlements, the “underruns” become unused Colorado River water available to Metropolitan.

Chart 4 shows the record of unused Priority 3 water for 2004-2014.¹⁹ In four of the eleven years, there was no unused Priority 3 water. In three other years, the volume of unused Priority 3 water was minor (approximately 50,000 AF or less). In the remaining four years, there were significant blocks of unused Priority 3 water (ranging from 150,000 AF to almost 250,000 AF). While the historic record has “runs” of successive years of either no unused Priority 3 water or positive amounts of unused Priority 3 water, the correlation between the amounts of unused Priority 3 water in successive years is weak.²⁰ The quantity of unused Priority 3 water averaged 84,990 AF.

ICS Credits. In 2007, the Bureau of Reclamation approved implementation of Intentionally Created Surplus (“ICS”) credits, which would become available when a Colorado River water user undertook specified actions to reduce their use of Colorado River water. If the water “created” by the actions is not used in the year the water is created, it can be stored in Lake Mead for use in future years. Water stored is subject to a one-time 5% system assessment and an annual evaporation loss of 3%. ICS water stored in Lake Mead is lost when there are flood control releases from Lake Mead. ICS credits may not be recovered during the declared shortages in the Lower Colorado River Basin.

Metropolitan has created and used ICS credits from three activities:

- Extraordinary conservation (PVID land fallowing and conserved IID water)
- System conservation
- Pilot run of Yuma Desalter Project.

Chart 5 shows the ending balance of Metropolitan’s ICS credits in each year since the program was initiated in 2006.²¹ Metropolitan’s ICS credits peaked in 2010 at almost 600,000 AF. Since then, Metropolitan has been recovering ICS credits, especially from the extraordinary

¹⁹ Calculated as the amount, if any, IID’s and CVWD’s consumptive use of Colorado River water is below IID’s and CVWD’s Priority 3 entitlement (3.43 million AF), less 14,500 AF for Colorado River water use by miscellaneous PPR’s and Indians, less IID transfers to Metropolitan (net of amount used by CVWD) and San Diego, less mitigation water to the Salton Sea, less canal lining water, less IID and CVWD paybacks of overruns, less IID creation of ICS credits, plus IID recovery of ICS credits, less amount of LCWSP water exchanged with IID for Colorado River water. Data compiled from *Colorado River Accounting and Water Use Report: Arizona, California, and Nevada*, 2004-2014.

²⁰ The correlation in the amount of unused Priority 3 water in successive years is 0.28. With 9 data points, the standard deviation of the estimated correlation coefficient is 0.33 (under the null hypothesis of no correlation). The resulting T-statistic (estimated correlation/standard deviation of correlation coefficient) is 0.85. A T-statistic of 0.85 with 9 degrees of freedom has a significance level of only 42%.

²¹ Compiled from Decree Accounting Reports in *Arizona v. California*, 2003-2014.

conservation account. With shortages in the Lower Colorado River basin on the horizon, Metropolitan has an incentive to use its ICS credits before they are not available.²²

Interstate Banking. Metropolitan, the Southern Nevada Water Authority (“SNWA”) and the Colorado River Commission of Nevada entered a Storage and Interstate Release Agreement in 2004. Under the agreement, Metropolitan stores unused Colorado River entitlement of Nevada for subsequent recovery by Metropolitan through development of Intentionally Created Unused Entitlement for Southern Nevada Water Authority. Pursuant to a 2012 amendment to the agreement, Nevada could store a minimum of 200,000 AF and a maximum of 400,000 AF through 2016. The maximum amount of water Nevada may recover is 30,000 AF in any year. The maximum amount of water Nevada may make available is 75,000 AF in any year. Of the amount of water made available, two-thirds is added to Nevada’s storage account and one-third becomes Metropolitan’s water.

Chart 6 shows water made available to Metropolitan under the Nevada Storage Agreement. When Nevada stores water, this increases Metropolitan’s diversions of Colorado River water. However, when Nevada recovers water from storage, Metropolitan will reduce its use of Colorado River water either by assigning water made available under its agreements with IID or PVID to Nevada or by undertaking new extraordinary conservation measures that reduces its use of Colorado River water.

In 2015, Metropolitan and SNWA transformed their storage agreement into a transfer subject to claw-back provisions.²³ The agreement provides for SNWA to store 150,000 AF of unused Colorado River water off stream in Metropolitan’s system in California and makes the water available for use by Metropolitan. SNWA’s Interstate Account will be credited 125,000 AF, and 25,000 AF will be accounted as loss. Metropolitan pays \$44.375 million—or about \$296/AF for 150,000 AF. Metropolitan will return the 125,000 AF upon SNWA’s request in future years via Intentionally Created Unused Apportionment (“ICUA”) in the Colorado River system. For the water returned, SNWA will reimburse Metropolitan its payment, escalated to account for inflation.

Comparison of Metropolitan’s Colorado River Water Supplies before and after 2003

Table 4 compares Metropolitan’s Colorado River water supplies before and after 2003. For the ten years before 2003, Metropolitan’s Colorado River water supplies averaged 1,203,822 AF. From 2003 and thereafter Metropolitan’s supplies from its Priority 4 rights and transfer agreements with IID and PVID averaged 660,022 AF. When combined with the average amount of unused Priority 3 water available, Metropolitan’s Colorado River water supplies averaged 745,012 AF. Therefore, the end of the era of unused entitlement water and surplus water means

²² For a discussion of the emerging risk of shortages in the Lower Colorado River Basin, see “Emerging Shortages in the Colorado River Basin: Is it Worse Than We Think”, *Journal of Water*, June 2015, <http://journalofwater.com/jow/emerging-shortages-in-the-colorado-river-basin-is-it-worse-than-we-think/>.

²³ See “Agreement with SNWA, CRCN Increases Metropolitan’s Short-Term Water Supplies”, *Journal of Water*, October 2015, <http://journalofwater.com/jow/agreement-with-snwa-crcn-increases-metropolitans-short-term-water-supplies/>.

that, despite its programs over the past thirteen years, Metropolitan has 458,810 AF per year less Colorado River water. San Diego's independent Colorado River supplies offset 180,000 AF of Metropolitan's reduced Colorado River water supplies in 2014 and will offset 280,000 AF per year of Metropolitan's reduced Colorado River water supplies over the long-term. This is demand Metropolitan need not plan to meet and avoids costs that Metropolitan otherwise would need to incur.

Table 4
Comparison of Metropolitan's Annual Colorado River Water Supplies Pre and Post 2003

<i>Item</i>	<i>AF</i>	<i>Comment</i>
Pre-2003	1,203,822	Mostly Priority 4 and Priority 5 water
Post-2003		
Priority 4	550,000	Exclusive of liability for Indian/Misc. PPRs
IID	93,489	Pre-2003 agreement
PVID	16,533	Inclusive of liability for Priority 1, 2 3b overruns
Sub-Total	660,022	
Unused Priority 3	84,990	Part of supply in excess of Priority 4 right pre-2003
Total	745,012	
Lost Supply	458,810	

State Water Project

Metropolitan has a Table A contract amount of 1,911,500 AF from the State Water Project.²⁴ The amount of water available depends on declarations by California's Department of Water Resources.

The history of SWP allocations has three distinct time periods (see Chart 7). Between 1968 through 1989, SWP allocations averaged more than 90%.²⁵ Spurred by the 1991 drought, SWP allocations dropped and averaged 74% through the 1990s. There was a brief recovery in SWP allocations, increasing by 10 percentage points until the early 2000s. Since then, average SWP allocations have been declining. The last two years have witnessed the lowest allocations in the historic record. The final SWP Allocation for 2014 was only 5% (most of the year the declared SWP Allocation was zero). The Final Allocation for 2015 was 20%.²⁶

The period of 90%+ SWP Allocations corresponded to the scheduled build-up of the SWP (see Chart 8). SWP Contract Amounts grew until 1990. Therefore, the relevant historical

²⁴ Management of the California State Water Project, Bulletin 132-14, California Department of Water Resources, November 2015, Table 1-6, p. 14.

²⁵ Before the 1994 Monterrey Amendment, agencies submitted water requests reflecting their actual water demands. With the Monterrey Amendment, available water was pro-rated in accordance with requests. This provided an incentive for agencies to request their full entitlement amounts (see Chart 8).

²⁶ DWR's has made a series of declarations for the 2016 SWP Allocation, starting at 10% and currently standing at 45%. For a recent discussion, see "DWR Increases SWP Allocations after Recent Storms," *Journal of Water*, March 2016, <http://journalofwater.com/jow/dwr-increases-swp-allocation-to-45-after-more-storms/>.

period for SWP Allocations going forward is the post-1989 record. After the Monterey Amendments to SWP contracts, SWP contractors now request their full contract amounts each year.

The Journal of Water conducted a statistical analysis of Final SWP Allocations between 1990 and 2015.²⁷ The resulting model predicts about three-fourths of the annual variation in Final SWP Allocations (see Chart 9). As expected, the Final SWP Allocation is greater, the more water in storage at Oroville at the beginning of the water year and the greater the actual amount of precipitation measured by the Northern Sierra 8 Station Precipitation Index, October through April of the water year. There was also a modest increasing trend in Final SWP Allocations of 0.8 of a percentage point per year from 1990 through 2002 that was reversed in 2003. Since then, the expected Final SWP Allocation is declining by 3.0 percentage points per year.

The amount of water delivered to Metropolitan through SWP facilities includes available Table A water, Article 21 water and carryover water, non-SWP project water from the Yuba Accord, Dry-Year Transfer Programs, recovery of water from storage and other programs (see Chart 10). Since the year 2000, the amount of water delivered to Metropolitan has exceeded 800,000 AF in all but one year (2014) and exceeded 1 million AF in eleven of fifteen years (but in only three of the last seven years).

The Department of Water Resources recent report on the SWP's Delivery Capability provides information on the anticipated yield of Metropolitan's SWP Table A Contract (see Chart 11).²⁸ Under existing regulatory conditions, the average yield of Metropolitan's Table A Contract is 1,160 thousand acre feet ("TAF"). Early onset of long-term climate change will reduce Metropolitan's average yield by 14,000 AF. Increased environmental regulations without an Isolated Facility will reduce Metropolitan's yield by 194 TAF in the case of the less stringent "Low Outflow" regulatory scenario and by 338 TAF in the case of the more stringent "High Outflow" regulatory scenario.

Conclusions Regarding Metropolitan's Water Sources

The year 2003 represents a turning point for Metropolitan's water sources. On the Colorado River, the era of large volumes of Priority 5 Colorado River water ended. On the positive side, the QSA paved the way for Metropolitan's long-term fallowing program that has conserved, on average, 93,489 AF per year. On the down side, Metropolitan assumed the risk for overruns by Priority 1, 2 and 3b. The net effect has been that its PVID venture has yielded, on average, only 16,596 AF per year.

The year 2003 was also a turning point for Metropolitan with respect to SWP supplies with a decreasing trend in SWP Table A Allocations. DWR currently projects the average yield of Table A at 61% under current regulatory conditions. However, the actual Table A yields have been considerably less for 2013-2015. While the situation for 2016 looks promising with a

²⁷ See "DWR Announces Initial SWP Allocation," *Journal of Water*, December 2015
<http://journalofwater.com/jow/california-dwr-announces-initial-swp-allocation/>.

²⁸ Compiled from "Final Appendices: The State Water Project Delivery Capability Report", July 2015. The text's names for the scenarios is taken from the DWR study.

current announced allocation of 45%, there is significant risk that final allocations may be smaller.²⁹ Metropolitan has used about 1.5 million acre feet of stored water to offset the reduction in available water supplies.³⁰

MWD Storage

With the loss of the large volumes of Priority 5 Colorado River water and the reduction in SWP allocations, storage has increasingly become an important part of Metropolitan's operations. Metropolitan staff now prepare reports on "Water Surplus and Drought Management," where staff discuss the amount of water Metropolitan has in storage and how stored water should be managed in the face of alternative scenarios regarding the yield from Metropolitan's water sources.³¹

The amount of water Metropolitan has in storage (exclusive of emergency reserves) has varied considerably since 2004 (see Chart 12).³² Metropolitan entered the post-QSA period with about 1.7 million AF in storage. Chart 13 shows the change in storage by calendar year.³³ Metropolitan withdrew more than 1 million AF from storage in 2014 (the year when SWP Allocations were zero until late in the year when the SWP Allocation was reset at 5%). It withdrew more than 500,000 AF from storage in calendar years 2007 and 2008. The calendar years with the large increases in water in storage (defined as more than 500,000 AF) were 2009, 2010 and 2011; a rapid build-up in ICS credits occurred in these years (see Chart 5).

Metropolitan staff memoranda each year discuss available Colorado River and SWP supplies and where water could be withdrawn from or added to storage (subject to available put capacity).³⁴ Metropolitan's storage increases with a higher SWP Allocation (see Chart 14). The correlation between the two series is 0.48. Metropolitan withdrew large volumes of water from storage when the SWP Allocation was less than 40%. However, it also withdrew water from storage when the SWP Allocation exceeded 60% (see discussion of LA Aqueduct water deliveries below).

²⁹ See "DWR Increases SWP Allocation to 45% After More Storms, *Journal of Water*, March 2016, <http://journalofwater.com/jow/dwr-increases-swp-allocation-to-45-after-more-storms/>.

³⁰ 1.5 million AF = the difference in the amount of water in Metropolitan storage (exclusive of emergency reserves) on January 1, 2016 and January 1, 2012.

³¹ See Staff Report, "Water Surplus and Drought Management Board Report," Metropolitan, January 14, 2014.

³² Data compiled from Metropolitan staff reports on "Water Surplus and Drought Management" from 2005 forward. Until 2007, staff reports reported the total amount of water in storage without any identification of the amount held for emergency reserves. Thereafter, staff reports deducted 626,000 AF annually for emergency reserves. The data in Chart 11 deducts 626,000 AF from the storage levels reported before 2007.

³³ Change in storage for a calendar year calculated as the amount of water in storage as of January 1 of the following year less the amount of water in storage on January 1 of the calendar year.

³⁴ See Staff Report, "Water Surplus and Drought Management Board Report," Metropolitan, January 14, 2014.

Metropolitan's Water Demand

Demand for Metropolitan's water has been on an oscillating but generally declining trend (see Chart 15). In the fiscal year ending 1990, Metropolitan's water sales totaled 2.4 million AF. In the fiscal year ending 2014, Metropolitan's water sales totaled 1.9 million AF.³⁵ Starting in 2013, Metropolitan eliminated separate pricing for agricultural water and replenishment relative to full water service. All water sales are now at full service pricing. See Attachment A for a statistical study of Metropolitan water sales.

Two significant factors regarding member agency local supplies have an impact on Metropolitan's water sales.

First, the greater the water available from the Los Angeles Aqueduct, the lower Metropolitan water sales. The variability in Los Angeles Aqueduct water supplies reflects both the variability in hydrology in the Owens Valley and long-term decline in supplies due to environmental restrictions in Mono Lake and the Owens Valley. LA shifts on and off purchases of Metropolitan water depending on the availability of water from the LA Aqueduct (see Chart 16). The correlation between deliveries from the LA Aqueduct and LA's water purchases from Metropolitan is -0.95. This means that there is almost an exact negative relation between water deliveries on the Los Angeles Aqueduct and LA's purchases of water from Metropolitan

Second, with the initiation of San Diego's significant acquisitions of Colorado River water in 2003, there is now an independent, permanent declining trend in Metropolitan's water sales. San Diego has also developed a seawater desalination plant that is now fully operational; other Metropolitan member agencies are initiating their own projects. For example, the Orange County Water District commenced operations in 2008 of the first phase of its Groundwater Replenishment System that produces 100 million gallons per day.³⁶ Member agencies are in the process of implementing or planning for other significant ventures.

Eleven of Metropolitan's member agencies have expanded their local supplies since 2000 (see Chart 17).³⁷ The cumulative increase in San Diego's local supplies was 252,307 AF per year since 2000. With total member agency local supplies increasing by only 203,707 AF per year, the non-San Diego member agencies as a group experienced a decline in local supplies. Unsurprisingly, Los Angeles suffered the greatest loss of 110,097 AF per year. Other member agencies with large cumulative increases in local water supplies are MWDOC (56,391 AF per year), Inland Empire (39,092 per year) Calleguas (28,019 AF per year), Western (15,152 AF per year), Long Beach (10,802 AF per year) and Glendale (6,297 AF per year).

³⁵ Fiscal year ending 2014 was the last year before the imposition of state regulations requiring reductions in per capita municipal water use.

³⁶ See Orange County Water District, <http://www.ocwd.com/gwrs/>.

³⁷ Data compiled from Annual Reports of the Metropolitan Water District of Southern California, Table "Water Use by Metropolitan's Member Agencies" Table 1-4 in the 2014 Annual Report and comparable tables in earlier annual reports. The analysis included San Diego's Colorado River water supplies from its IID Agreement and Canal Lining projects in San Diego's local water supplies. Cumulative increase in local supplies estimated by cumulating the trend growth for each member agency over 14 years.

Metropolitan member agencies have many projects currently in full design phase with funds appropriated or at advanced planning stage with completed environmental review.³⁸ If only half the yield from these projects is realized, these future projects will increase local supplies by 100,000 AF per year. The declining trend in Metropolitan's water sales is likely to continue as member agencies continue to expand their local supplies.

Conclusions Regarding Metropolitan Water Sales

The trend and variability in Metropolitan water sales reflects the balancing of competing factors. For the period 1990 through 2014, the net balance of these factors have been an oscillating but generally declining trend in Metropolitan water sales (see Chart 15).

The variability in Metropolitan water sales reflects two factors. Variability in local rainfall and LA Aqueduct deliveries, respectively, will impact Metropolitan water sales by -12%/6% and -10% /+10% (see Attachment A). These fluctuations are managed with Metropolitan water storage, at a cost. In the case of LA Aqueduct water supplies, shortfalls in supplies in fiscal year ending 2008 and 2013 required that Metropolitan withdraw water from storage even though SWP Allocations exceeded 60%--a circumstance where normally Metropolitan would have increased carryover storage.

Principles of Cost Causation

California law requires a cost of service justification for water rates. However, many water agencies fundamentally reject the concept.³⁹

A core question with regard to Metropolitan's water rates and charges is the extent to which those rates and charges reflect the proportional burdens its 26 customer member agencies place upon Metropolitan, and the benefits each receives from the costs Metropolitan incurs to provide water service. Metropolitan's rate setting process does not address this question of proportional benefits and burdens in providing a supplemental water supply, or attempt to measure them; rather, as the Court described it in *San Juan Capistrano*, it appears to reject "the very idea behind the question," by simply *declaring* it has a single class of customers.⁴⁰ Metropolitan makes this declaration even though the data and evidence presented in other parts of its cost of service analysis support a finding that the proportional benefits to Metropolitan's 26 customer member agencies are not "equal" and should not be accounted for as a single customer class. The fact that individual customers use different "services," for example, treated water, raw water or wheeling, does not account for the different service characteristics and demand patterns causing Metropolitan to incur costs to meet the varying demands of its 26 customer member

³⁸ Letter dated January 10, 2016 from San Diego County Water Authority to Metropolitan's Chairman of the Board and Members of the Board of Directors.

³⁹ See Journal of Water, *JOW Corner, CA Appellate Court Holds that Tiered Pricing Must Reflect Cost of Service* (May 2015).

⁴⁰ See MWD's cost of service analysis supporting its proposed 2017 and 2018 calendar year rates, at page 87.

agencies. Given the small number of customers Metropolitan has, it would not be difficult to assess and fairly allocate the costs it incurs in order to provide services to each of them.

As demonstrated in the preceding sections of this analysis, Metropolitan incurs substantial costs - in the hundreds of millions of dollars annually - to meet the water supply demands of its member agencies over time, including wet, average and dry years. Due to changed circumstances beginning in 2003 impacting the availability of its historic sources of imported water supply, Metropolitan has increasingly found it necessary to turn to more costly water supply and storage options. The cost of these incrementally more expensive water supplies should be paid by the member agencies that are causing Metropolitan to incur these costs, not agencies whose demands are decreasing.

Costs Incurred to Offset Losses of Colorado River and SWP Water Supplies

After the QSA and increased restrictions on the SWP, Metropolitan has lost water supplies. Even if demand for Metropolitan water does not grow, or even declines, there remains the issue of whether supply reductions are causing Metropolitan to incur the costs that it is incurring.

Table 5 compiles the earlier estimates of Metropolitan’s Colorado River and SWP water supplies.⁴¹ In assessing the adequacy or inadequacy of these water supplies, the issue returns to the demand for Metropolitan water. A key question for determining which agencies are causing the timing and magnitude of Metropolitan’s cost of offsetting supply losses are which member agencies demands have not decreased sufficiently to be supplied with lower available water supplies.

**Table 5
Metropolitan’s Colorado River and SWP Water Supplies Under Alternative Scenarios
(TAF)**

<i>Supply</i>	<i>Existing Conditions</i>	<i>Early Long Term</i>	<i>EC High Outflow</i>	<i>EC Low Outflow</i>
Colorado River	745	745	745	745
SWP	1,160	1,146	822	966
Total	1,905	1,891	1,567	1,711

Storage

With the end of the era of unused or surplus Colorado River water, Metropolitan lost a significant base load water supply. Storage needed to be developed to manage variability in Colorado River water due to Metropolitan’s exposure to variability in Priority 1, 2 and 3b overruns and unused Priority 3 Colorado River water as well as the increased variability in available SWP water supplies. To this end, Metropolitan has developed storage capacity to

⁴¹ Table 4 for Colorado River water supplies and Chart 11 for SWP Average Yield.

manage its water supplies and entered into short-term transfers as tools to manage water supply variability.

Storage assets can also manage demand variability. Variability in local rainfall is one driver of variability in the demand for Metropolitan water. When local rainfall is abundant and member agency water demands fall, Metropolitan can store available water supplies for future years when local rainfall is low and member agency water demands increase. The variability of Metropolitan storage is depicted in Chart 13.

From the perspective of the demand for Metropolitan storage, however, not all local water supplies and member agencies are equal. As discussed above, the variability in LA Aqueduct water supplies generates significant variability in LA's demand for Metropolitan water service. To meet high periods of LA demand, Metropolitan withdrew water from storage despite the fact that SWP Allocations exceeded 60% when Metropolitan normally would store SWP water. In fact, the variability in LA Aqueduct water supplies creates a specific demand on Metropolitan's water supplies and storage. In contrast, San Diego's Colorado River acquisitions and its Carlsbad desalination plant are stable supply sources. As such, these sources do not place an additional demand on Metropolitan's water and storage activities.

A key question for determining which member agencies are causing the timing and magnitude of Metropolitan's cost of storage activities are which member agencies experience volatility in their local supply programs and thus the magnitude of their increased demand for Metropolitan storage activities and which do not. Agencies whose demand patterns place a cost burden on Metropolitan storage and supply assets must pay for the benefits they receive from the costs Metropolitan incurs. However, Metropolitan does not make this assessment in either its Integrated Resources Plan or its cost of service analysis.

Impacts on Metropolitan Rate-Making

Metropolitan is a regional wholesaler who delivers water to 26 member agencies.⁴² No two customers are alike. They vary in terms of the size and mix of their own local water resources (groundwater, transfers, desalination, recycling, etc.). They vary in terms of whether their demand for Metropolitan water is growing or declining.

Cost-of-service rate-making links rate structure to an apportionment of costs proportional to benefits. Metropolitan is taking actions within the context of changed circumstances discussed above. Industry standards and California law both require that Metropolitan assess how and the proportional extent to which member agencies benefit from Metropolitan's actions.

This fundamental question can be broken down into two parts. Part One involves Metropolitan's existing water supplies and infrastructure. As shown in Table 5, Metropolitan's average annual water supplies are 1.9 million AF under existing conditions of the SWP and can be as low as 1.6 million AF under the more stringent future regulatory restrictions on the SWP.

⁴² <http://www.mwdh2o.com/WhoWeAre/Mission/Pages/default.aspx>.

Metropolitan's infrastructure capacity substantially exceeds its water supplies.⁴³ These levels define the water demands Metropolitan can meet without undertaking new water supply options and infrastructure investment.

Part Two involves the actions taken to expand Metropolitan's water supplies beyond Part One levels. Which member agencies benefit from those actions? The member agencies whose demands for Metropolitan water exceed their share of Part One supply. Assuming that the cost of developing new supplies differs from the cost of Part One supplies, the cost-of-service rate for Part Two supplies would differ from the cost-of-service rate for Part One supplies. This approach conforms to the recent appellate court decision involving the City of San Juan Capistrano, where the court held rate tiers should be linked to defined level of service and how alternative supply sources are used to provide service in tiers.⁴⁴

Although Metropolitan has failed to conduct this type of analysis, as it must in order to ensure cost-based ratemaking, the MWD Act would suggest applying this approach using member agency preferential rights (see Table 6), since that is the legal measure of the investment each of Metropolitan's member agencies has made.⁴⁵ The first task is to identify which agencies' preferential rights are sufficient to meet their existing and future demands with Metropolitan's current water and storage assets. Second, what new investments are required to meet the demand of member agencies exceeding their preferential rights? The exact threshold depends on which DWR scenario for future SWP project yields is considered most reasonable for assessing Metropolitan's future conditions.⁴⁶

⁴³ Metropolitan conveyed 1.3 million AF of Colorado River water in 1994. This capacity is about 75% greater than Metropolitan's Colorado River water supplies (see Table 4). Metropolitan's SWP contract includes assignment of reaches on the California Aqueduct to deliver 1.9 million AF. This capacity is about 65% greater than Metropolitan's average SWP yield under existing conditions and 130% greater than Metropolitan's average SWP yield under more stringent future regulatory conditions.

⁴⁴ See "CA Appellate Court Holds that Tiered Pricing Must Reflect Cost-of-Service," *Journal of Water*, May 2015, <http://journalofwater.com/jow/ca-appellate-court-holds-that-tiered-pricing-must-reflect-cost-of-service/>. Although Metropolitan purports to have two tiers of service, with Tier Two pricing to be set at a level that reflects Metropolitan's costs of acquiring new supplies, the FY 2016/17 and 2017/18 biennial budget does not include any projected income from Tier Two sales because Metropolitan has set the Tier One sales level so high (2.05 million acre feet) that no agency is projected to reach Tier Two. The two-tiered pricing structure dates back to Metropolitan's October 16, 2001 Board Memo 9-6 (Rate Structure Board Memo). At that time, Metropolitan management also stated that the tiered supply rates would reflect the higher costs of new MWD supply development and pass appropriate costs of new supply development to those member agencies that would be relying on Metropolitan for growing demands. However, there is no evidence of this linkage occurring in the current or any former Metropolitan cost of service analysis.

⁴⁵ Section 135 of the Metropolitan Water District Act gives each member agency a preferential entitlement to purchase a portion of the water served by Metropolitan based upon a ratio of all payments from tax assessments and otherwise, except for purchases of water, made by the member agency to Metropolitan compared to total payments made by all member agencies from tax assessments and otherwise, except for purchases of water, since Metropolitan was formed. The payments represent the legally recognized proportional investment share from each agency toward the capital cost and operating expense of Metropolitan's facilities.

⁴⁶ Table 6 uses the range of DWR scenarios (see Table 5) and preferential rights by member agency as calculated by MWD at 06/30/2015, without adjustment for the Court's ruling in *San Diego County Water Authority v. Metropolitan Water Dist.* (Case No. CFP-10-510830). The Court found that MWD's current methodology for calculating San Diego's preferential rights violates Section 135 of the MWD Act, by failing to include the payments San Diego makes under the Exchange Agreement between the parties. The Court expressly found that San Diego is

Table 6
Threshold Member Agency Demand Levels Served by Existing Investments

<i>Member Agency</i>	<i>Preferential Rights</i>	<i>1.9 Million AF Metropolitan Supply</i>	<i>1.6 Million AF Metropolitan Supply</i>	<i>Metropolitan Water Purchased in FY Ending 2014</i>
Anaheim	1.04%	19,760	16,640	15,118
Beverly Hills	0.97%	18,430	15,520	11,632
Burbank	0.90%	17,100	14,400	15,817
Calleguas MWD	4.23%	80,370	67,680	116,685
Central Basin	6.49%	123,310	103,840	33,951
Compton	0.23%	4,370	3,680	44
Eastern MWD	3.74%	71,060	59,840	100,884
Foothill MWD	0.67%	12,730	10,720	9,795
Fullerton	0.59%	11,210	9,440	8,776
Glendale	1.27%	24,130	20,320	20,341
Inland Empire	2.61%	49,590	41,760	67,833
Las Virgenes	0.90%	17,100	14,400	23,760
Long Beach	2.34%	44,460	37,440	36,340
Los Angeles	20.01%	380,190	320,160	441,871
MWDOC	13.70%	260,300	219,200	244,665
Pasadena	1.10%	20,900	17,600	23,097
San Diego	18.42%	349,980	294,720	365,403
San Fernando	0.08%	1,520	1,280	61
San Marino	0.18%	3,420	2,880	1,583

not purchasing water from MWD under the Exchange Agreement. The case is on appeal; if the appellate court upholds the trial court ruling, MWD will be required to calculate preferential rights consistent with the Court's ruling and the respective preferential rights of all member agencies will be adjusted accordingly.

<i>Member Agency</i>	<i>Preferential Rights</i>	<i>1.9 Million AF Metropolitan Supply</i>	<i>1.6 Million AF Metropolitan Supply</i>	<i>Metropolitan Water Purchased in FY Ending 2014</i>
Santa Ana	0.76%	14,440	12,160	11,679
Santa Monica	0.85%	16,150	13,600	5,900
Three Valleys	2.83%	53,770	45,280	71,072
Torrance	1.13%	21,470	18,080	17,210
Upper San Gabriel	3.27%	62,130	52,320	34,779
West Basin MWD	7.88%	149,720	126,080	120,915
Western MWD	3.81%	72,390	60,960	76,194
Total	100.00%	1,900,000	1,600,000	1,875,401

For cost of service purposes (as well as investment), reasonably projected future circumstances are more relevant than current circumstances. For example, in the case of San Diego, its purchases of Metropolitan water in FY ending 2014 exceeds its preferential rights under either assumption about the water supply available from Metropolitan's existing investments. However, with the Carlsbad Desalination Plant coming on line in 2015 and an additional build up scheduled in its Colorado River water supplies, San Diego will be expanding its local supplies by an additional 156,000 AF per year by 2021. The only reasonable assumption regarding San Diego is that, within the next decade or sooner, its demand for Metropolitan water will be less than its preferential rights to the water available from Metropolitan's existing supply and storage assets.

Water storage has become increasingly important as Metropolitan manages the increased variability of its water supplies since 2003. As evidenced in the past few years, stored water helped Metropolitan meet member agency water demands despite low SWP allocations. With carryover storage (exclusive of emergency reserves) now below 1 million AF, Metropolitan has sufficient unused storage capacity to build up storage in the future if and when water supplies for storage become available.⁴⁷

Water storage also manages demand variability. Dry conditions in Metropolitan's service area increases Metropolitan water demands by up to 6% and wet conditions decrease Metropolitan's water demands by up to 12% (see Attachment A).

⁴⁷ Metropolitan has about 6 million AF of storage capacity, see "Water Surplus and Drought Management", Metropolitan Staff Report, dated April 4, 2015, Attachment 1. Of this capacity, 1.5 million AF represents Metropolitan's right to store ICS Credits in Lake Mead. As discussed above, water storage in Lake Mead has the disadvantage that water cannot be recovered during times of shortages in the Lower Colorado River Basin.

A critical aspect of Metropolitan's demand variability involves Los Angeles. Variability in hydrologic conditions in the Owens Valley translates into variability in LA Aqueduct supplies that, in turn, translate into variability in Metropolitan water demand (see Chart 16 and Attachment A). The variability in LA Aqueduct supplies is growing and translates now into swings of +/- 200,000 AF per year. In effect, Metropolitan must combine more storage with water supplies to meet Los Angeles's water demand than other member agencies whose water demands on Metropolitan are less volatile.

The allocation of Metropolitan's drought storage costs to the volumetric commodity charge does not reflect the benefits received by each of Metropolitan's customers. Metropolitan must assign these costs in a manner that reasonably accounts for the varying demands of and proportional benefits received by Metropolitan's 26 member agency customers.

Conclusion

California law requires a cost-of-service justification for water service rates. Justifiable water rates must be based on an understanding of customer classes and how their demands are driving investments and operational decisions. Customer classes and rate tiers must be linked to defined levels of service and how alternative supply sources are used to provide service. By not identifying Metropolitan's customer classes, and failing to factor in material changed circumstances in both Metropolitan supplies and member agency local supplies, Metropolitan has produced a rate structure wholly disconnected from cost-based rate-making principles.

Chart 1
Colorado River Water Diverted into Colorado River Aqueduct

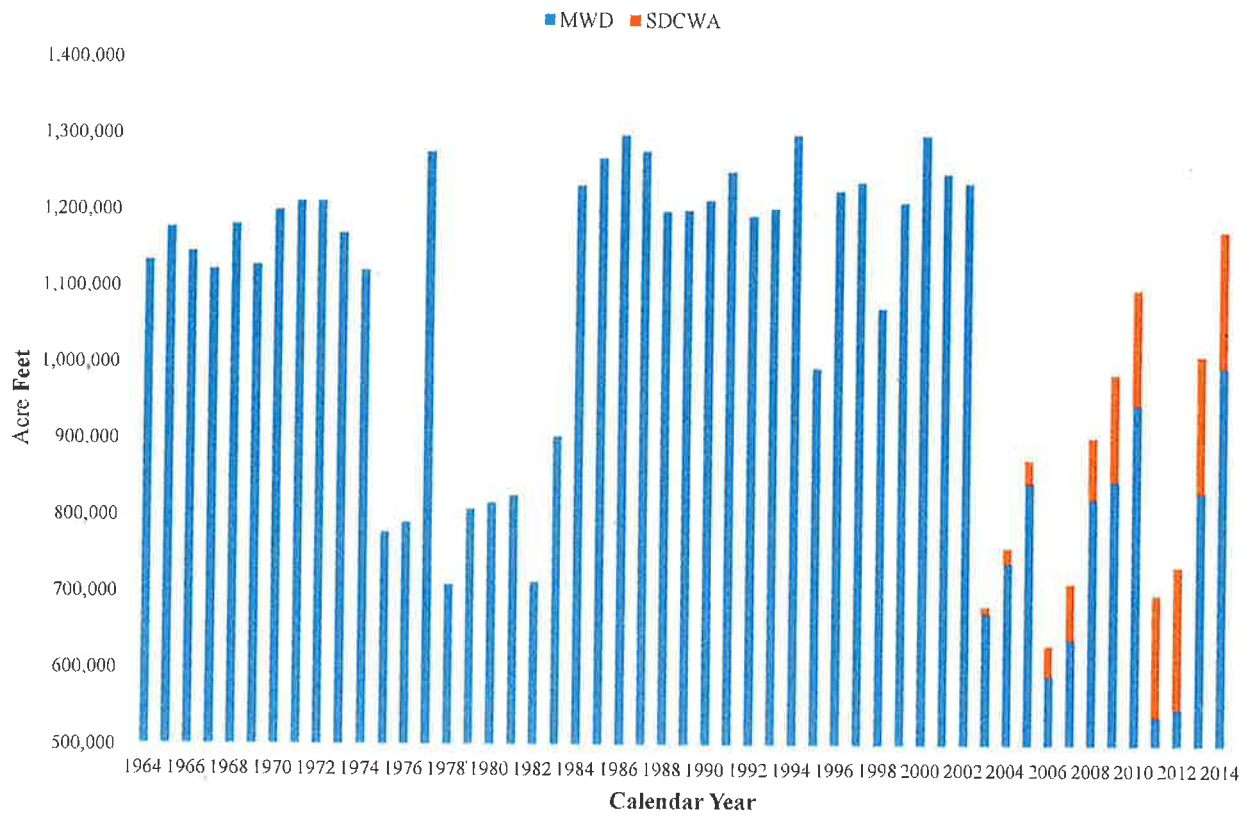


Chart 2
Metropolitan's Agricultural Adjustment and
PVID Land Fallowing

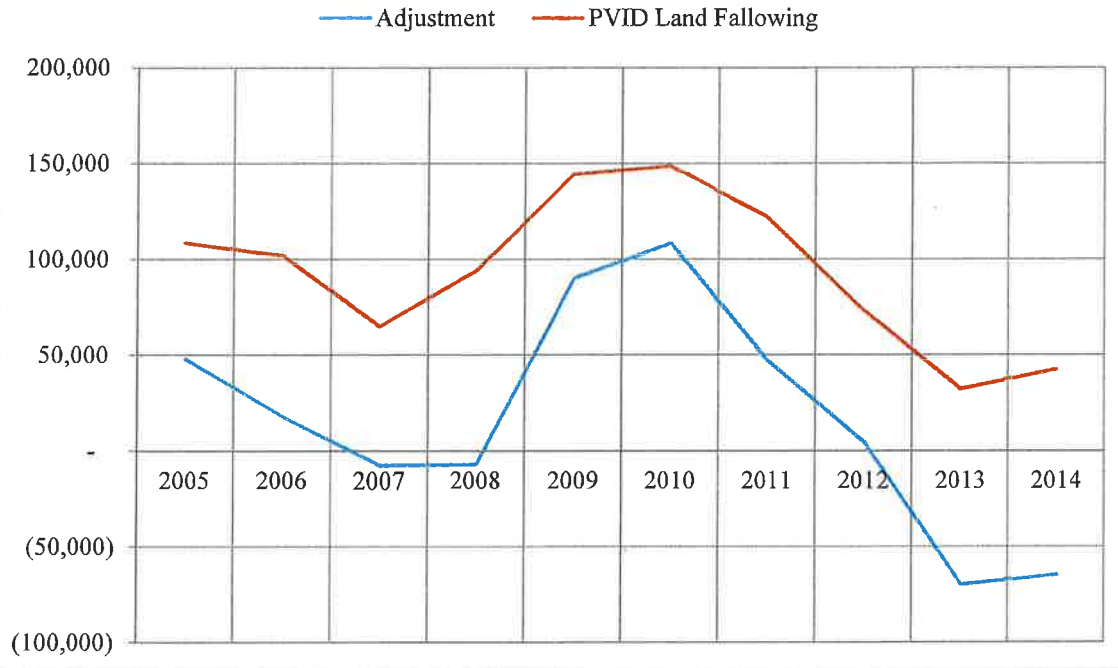


Chart 3
Metropolitan's Agricultural Adjustment of
Colorado River Water
(2005-2014)

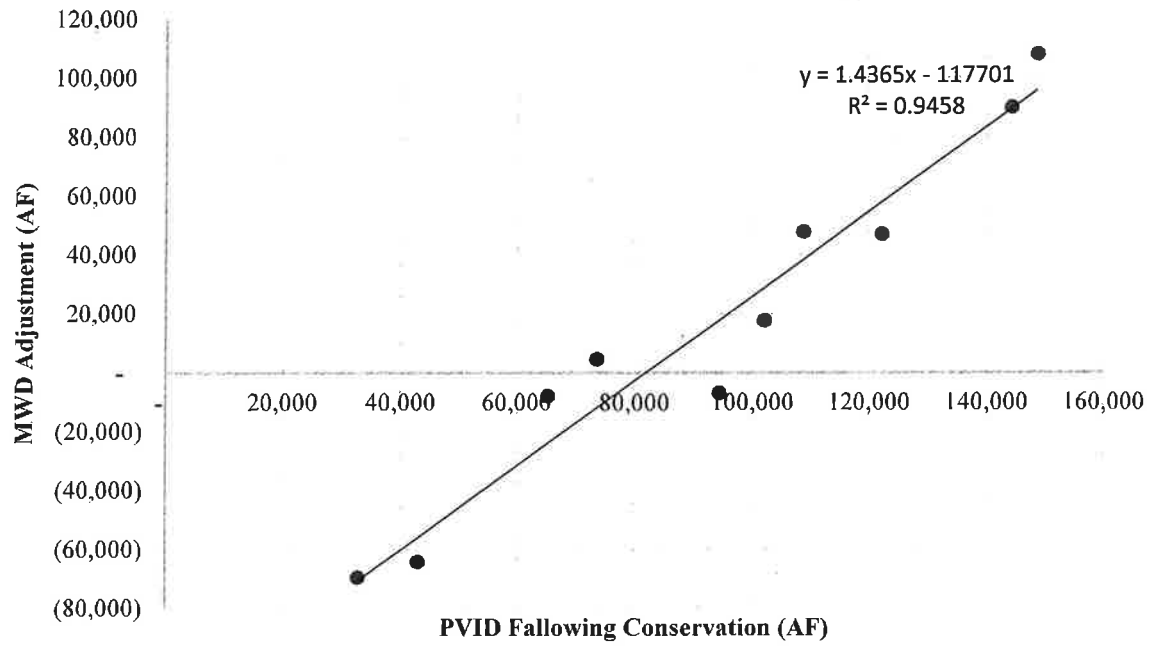


Chart 4
Unused Priority 3 Water

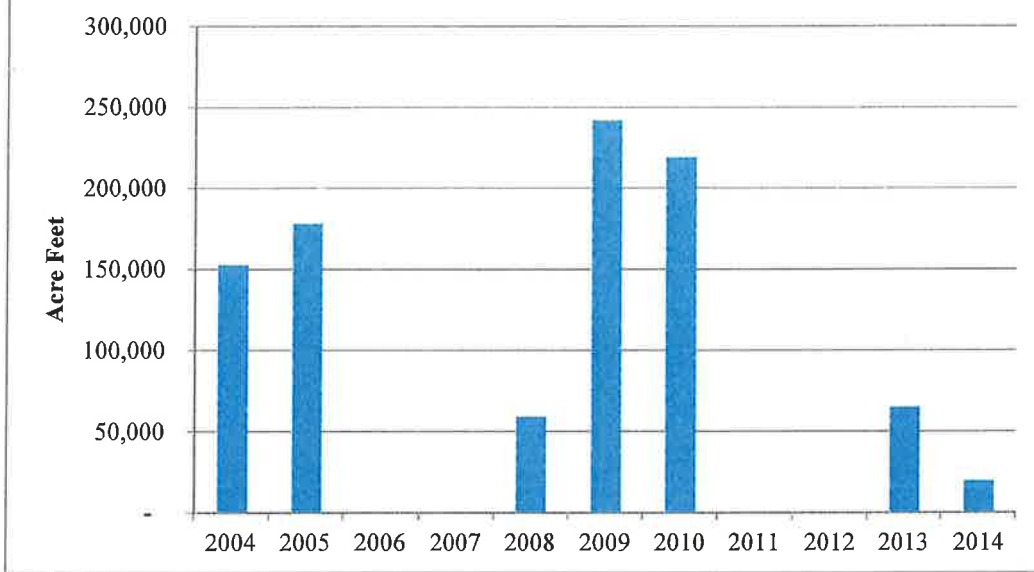


Chart 5
Metropoliation's ICS Credits
(End of Year)

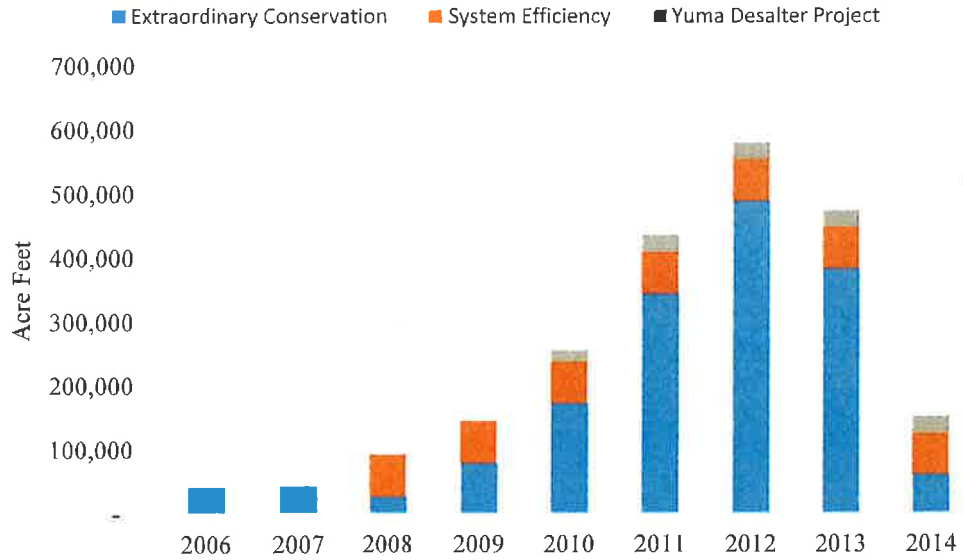


Chart 6
Water Available to Metropolitan from Nevada

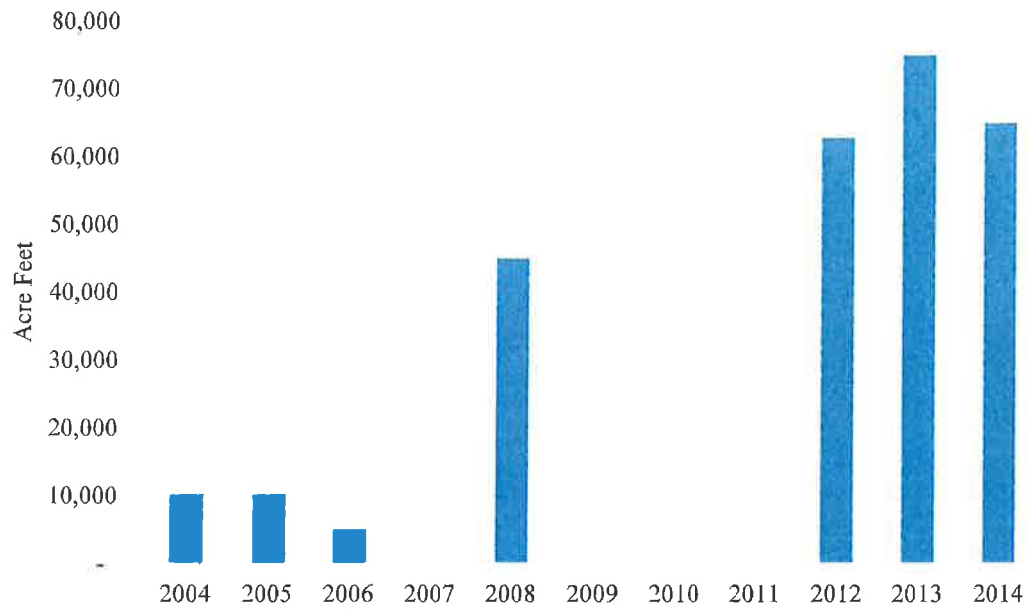


Chart 7
SWP Allocations

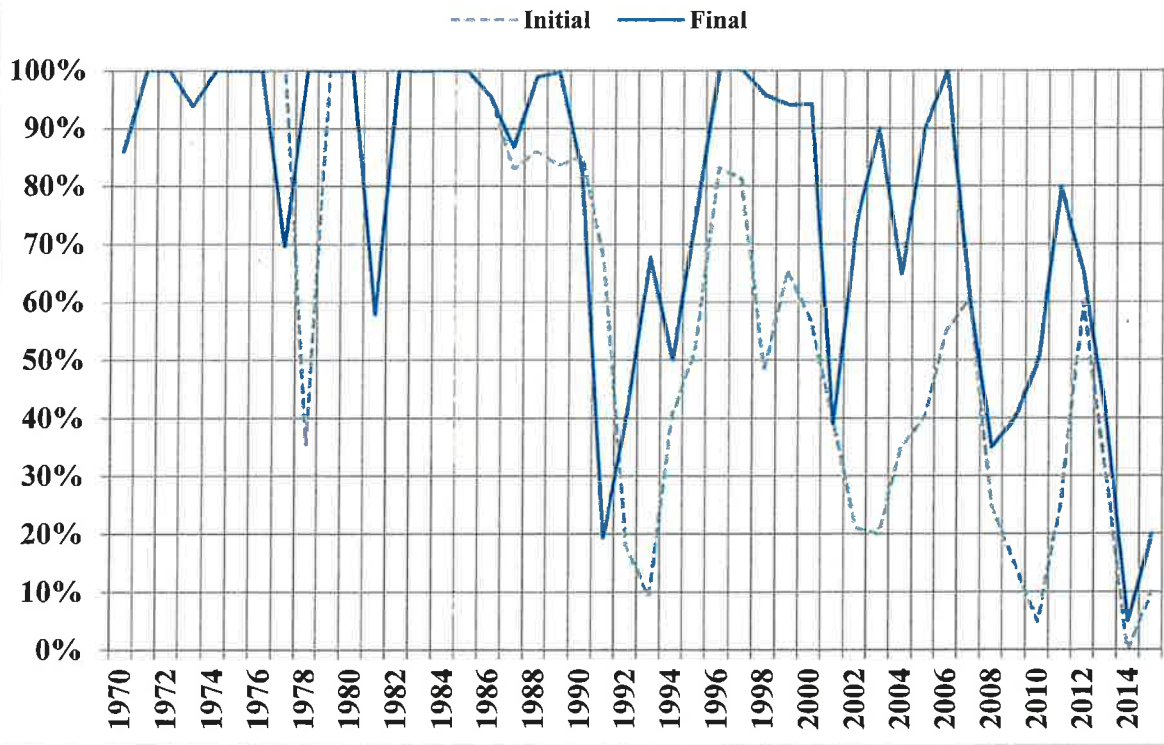


Chart 8
Build Up of SWP and Requests

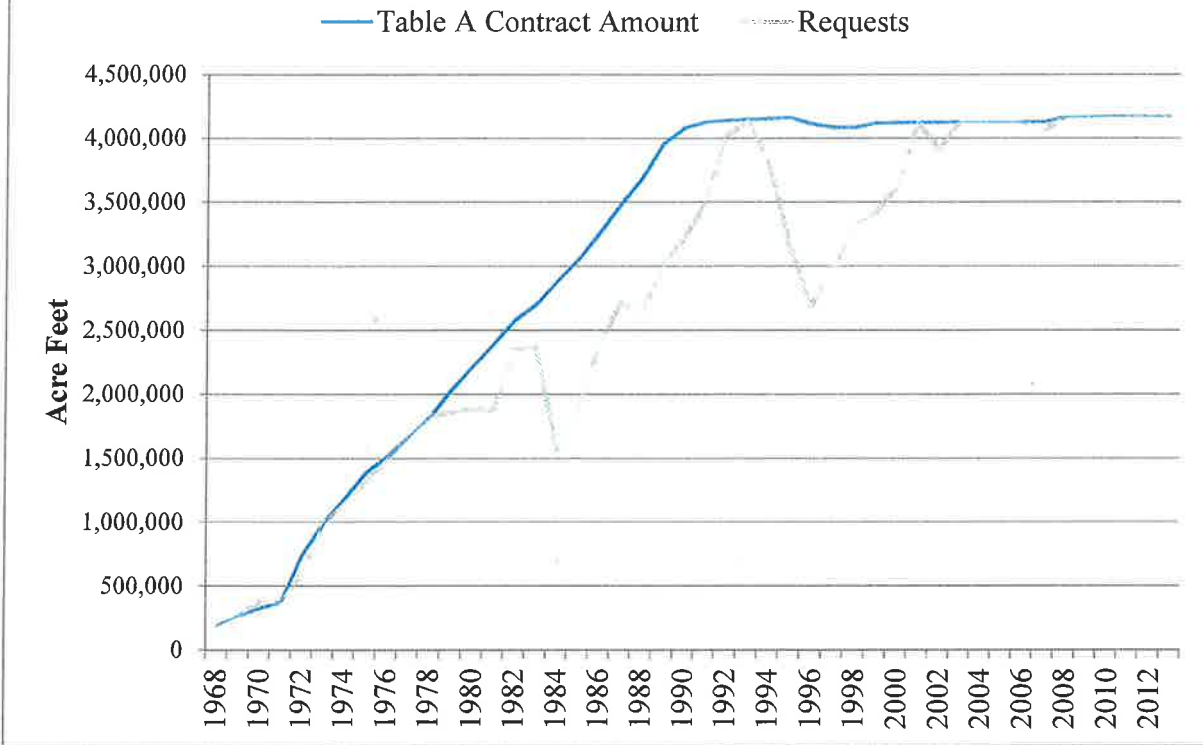


Chart 9
Statistical Model of Final SWP Allocations

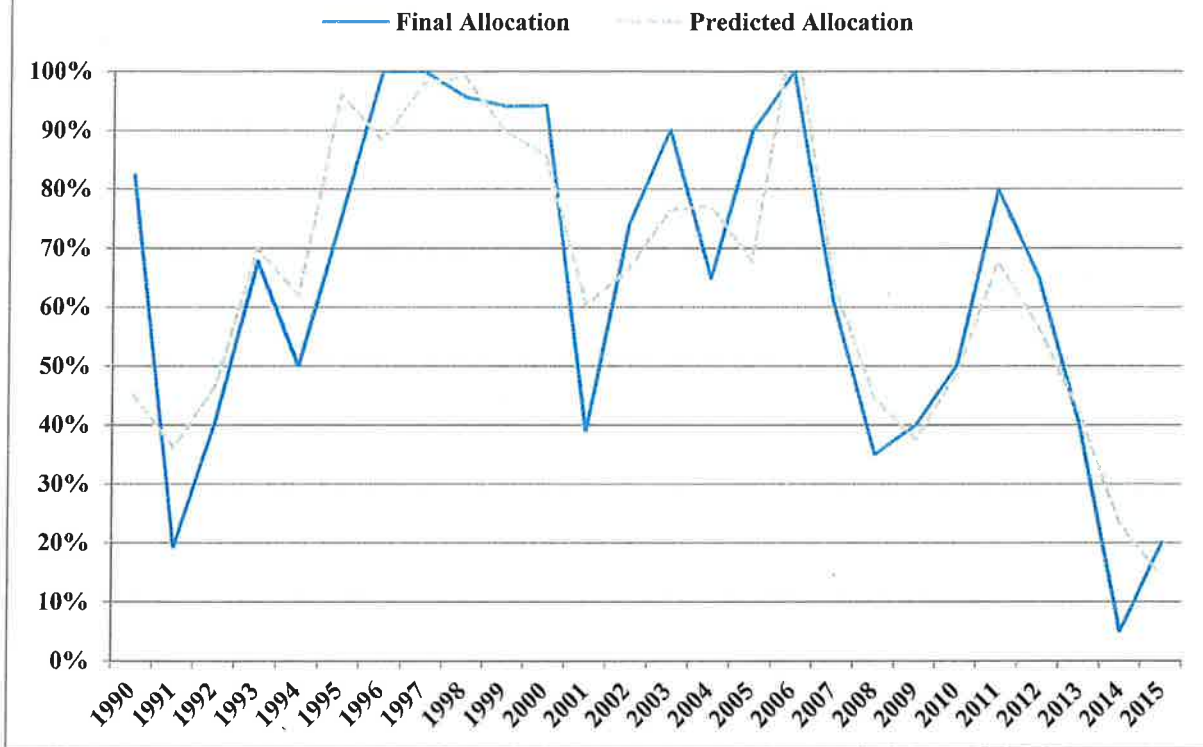


Chart 10
Annual Water Delivered Through SWP Facilities

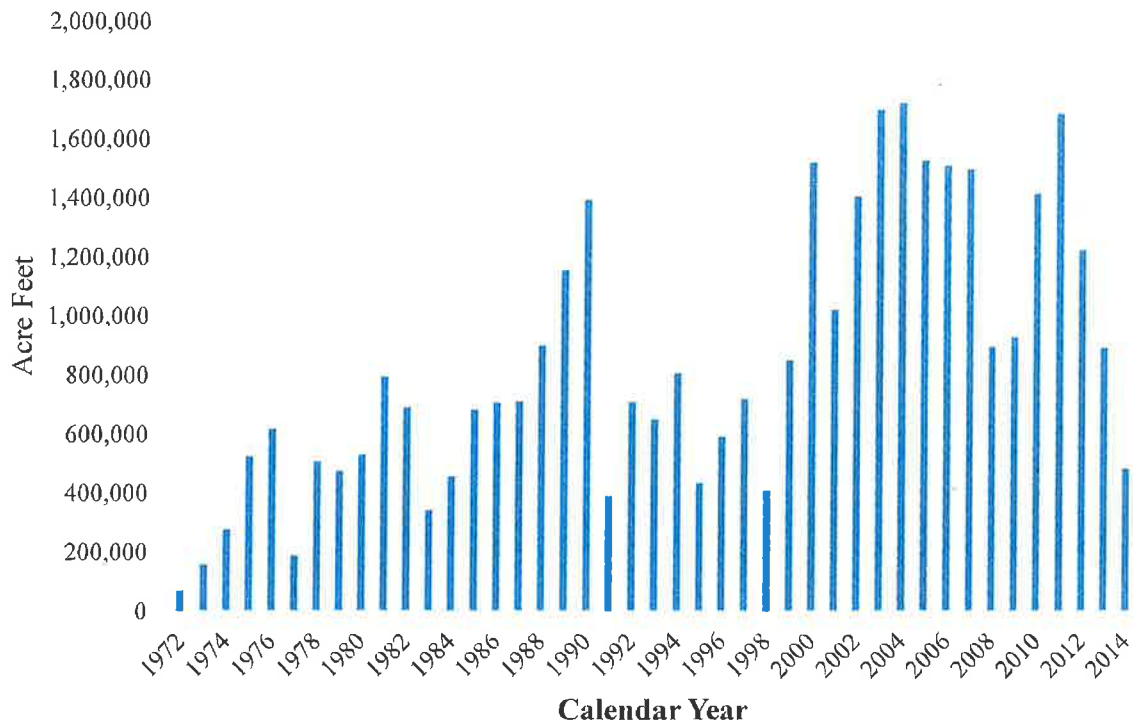


Chart 11
Average Yield of Metropolitan's Table A Contract
(1,000 Acre Feet)

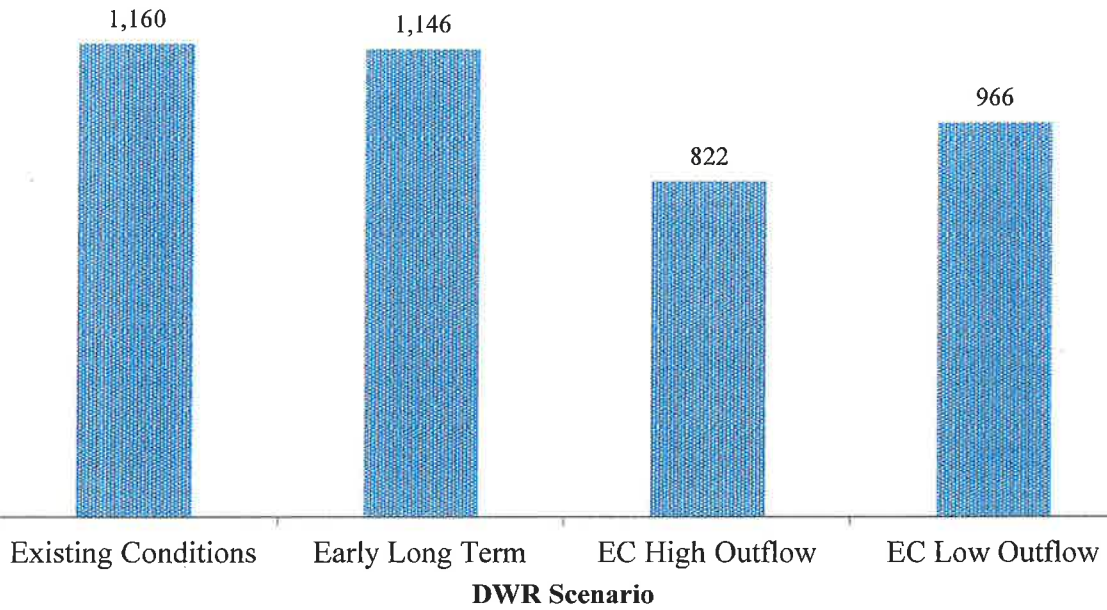


Chart 12
Beginning of Year Metropolitan Water Storage
(Less Emergency Storage)

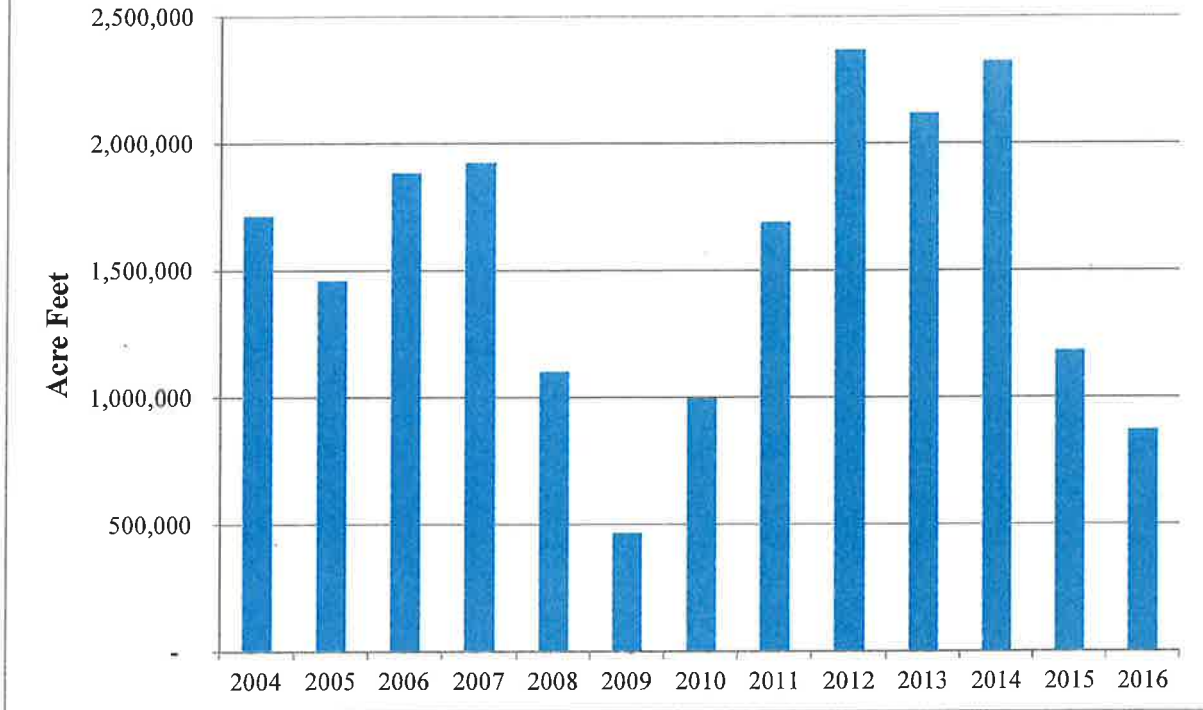
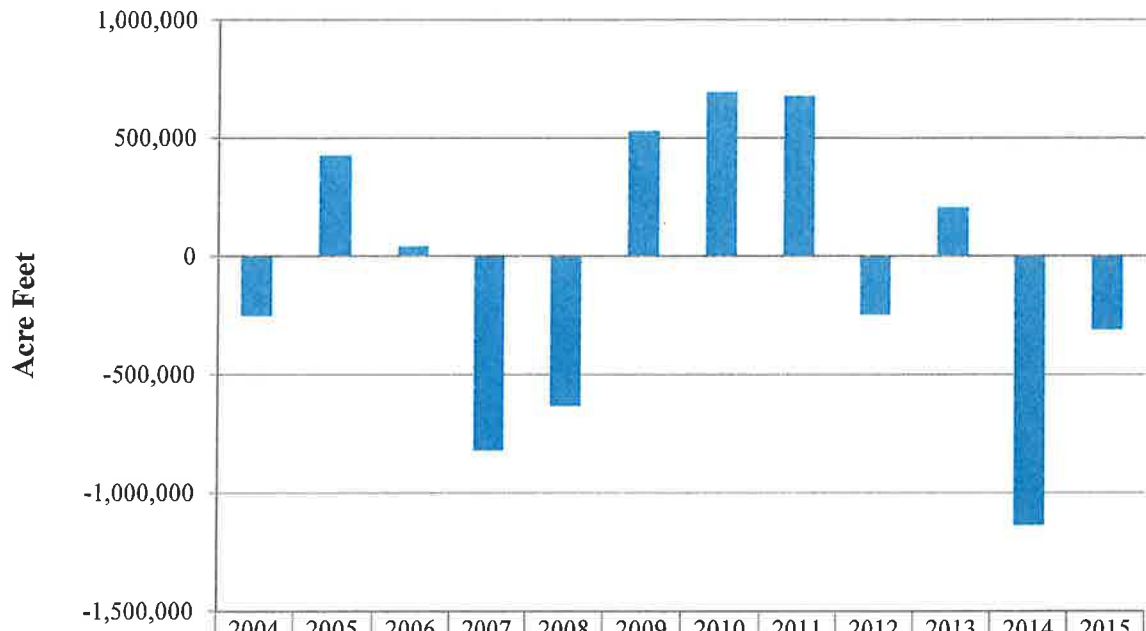


Chart 13
Change in Metropolitan Water Storage



Change in Storage	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	-255,0	424,00	40,500	-822,3	-635,2	530,00	694,00	678,00	-250,0	206,00	-1,139	-313,0

Calendar Year

Chart 14
Change in MWD Storage and Final SWP Allocations

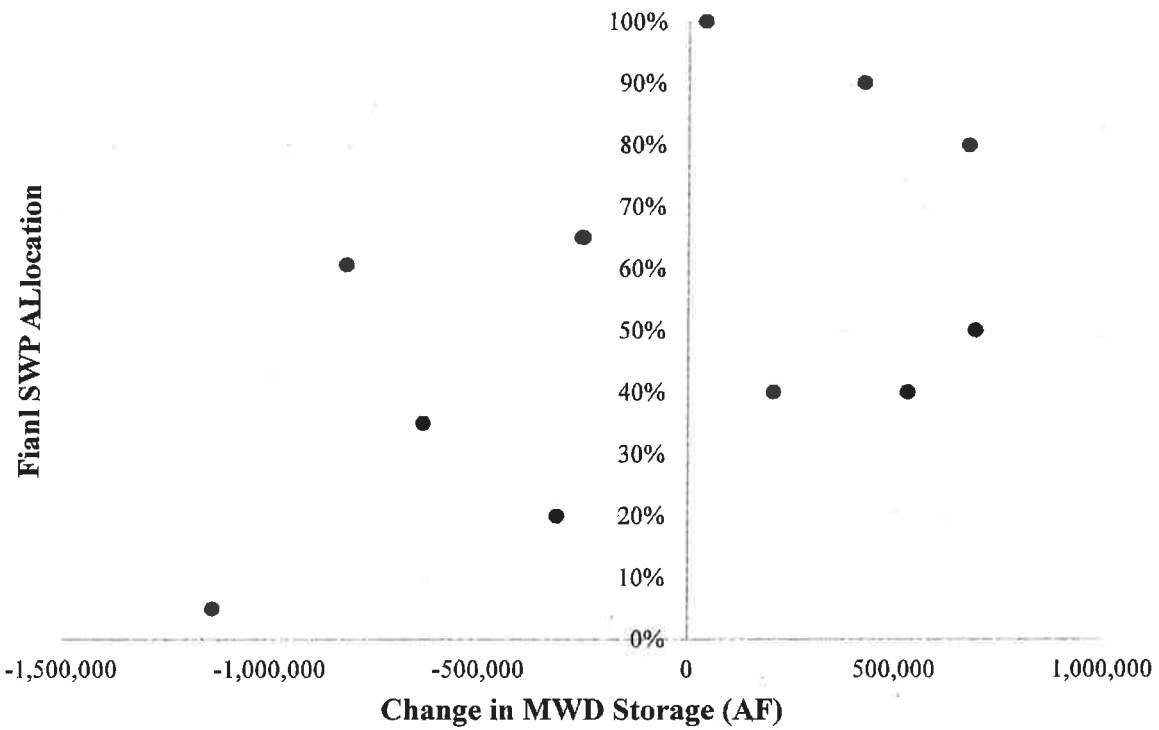


Chart 15
Metropolitan Water Sales

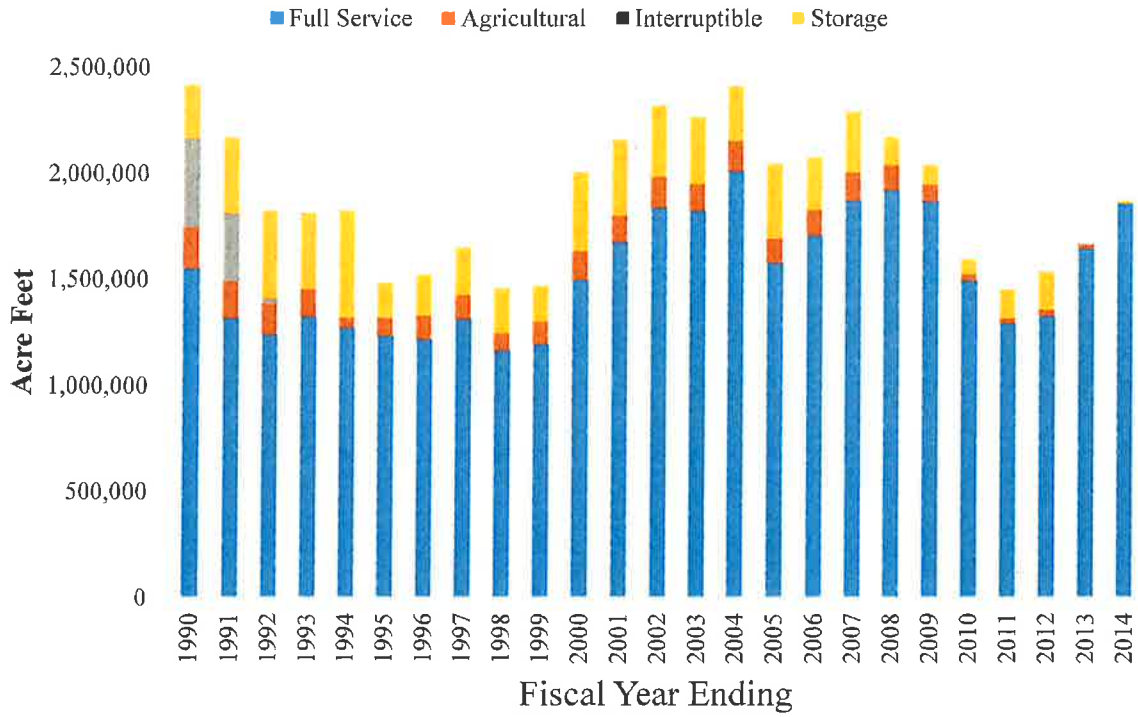


Chart 16
Los Angeles Water Resources

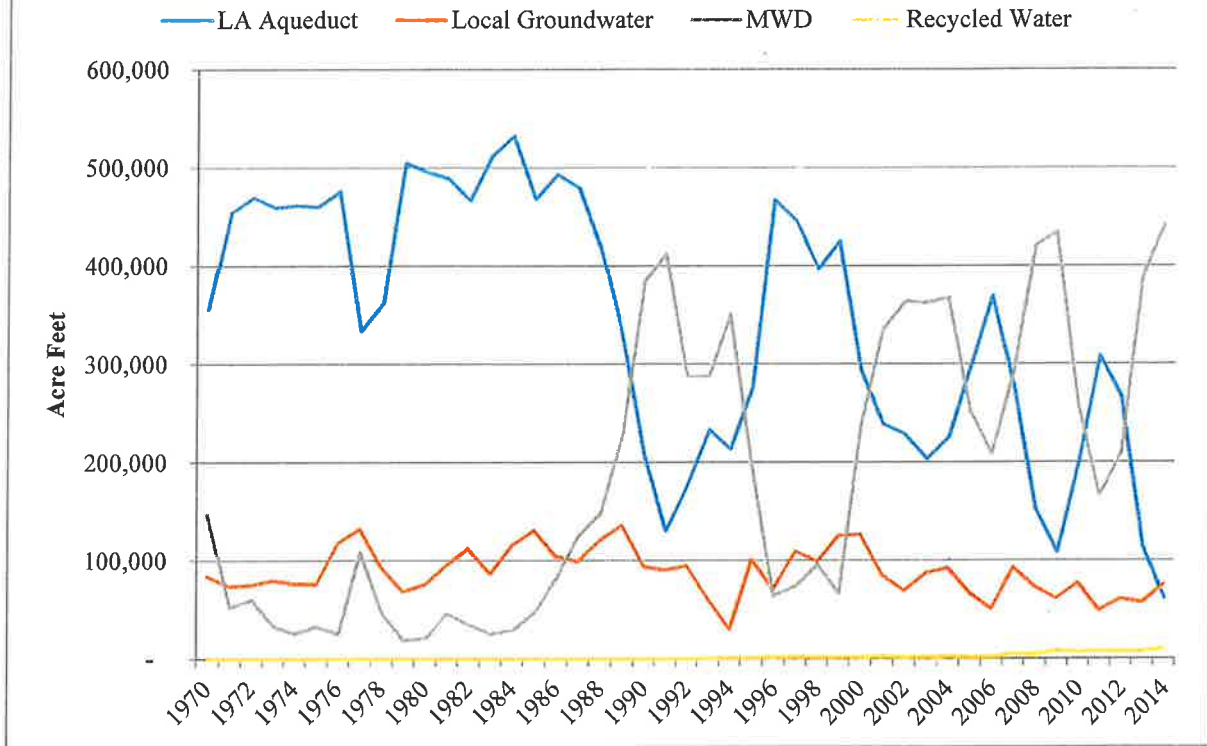
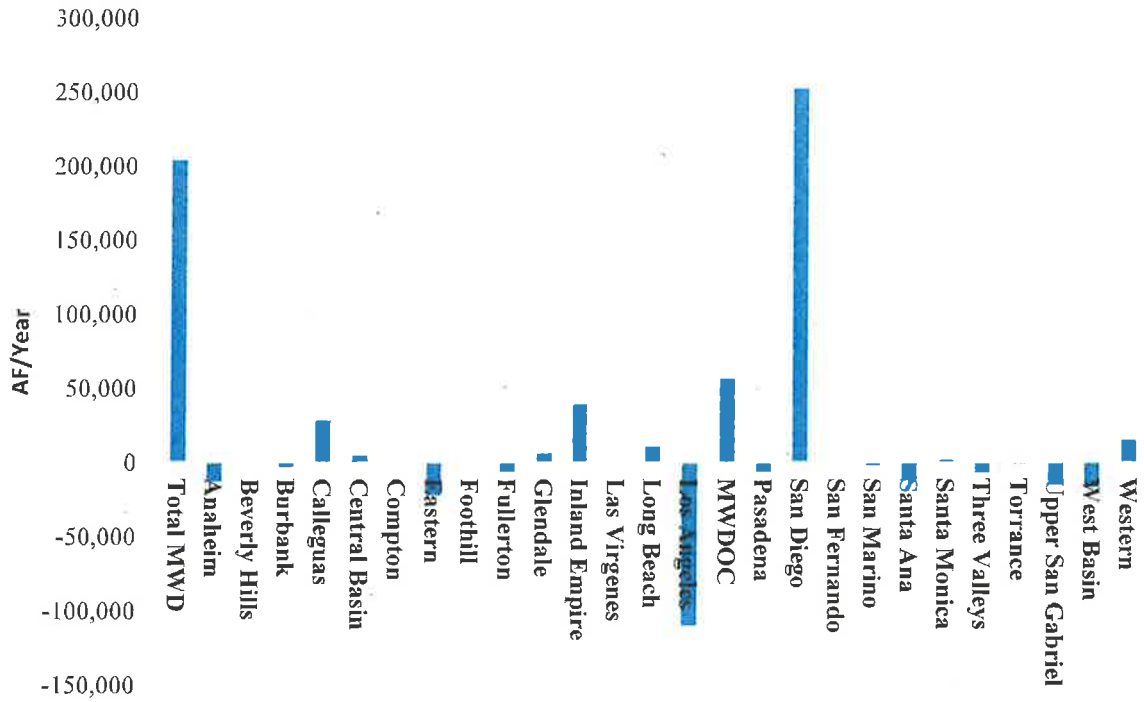


Chart 17
Cumulative Increase in Local Supplies by Member Agencies:
2001-2014



Attachment A
Statistical Study of Metropolitan Water Sales

Metropolitan's water sales decline with local rainfall and the real water price and increases with real (inflation-adjusted) personal income in the six counties within Metropolitan's service area (see Table A-1).⁴⁸ Two significant factors regarding member agency local supplies also have an impact on Metropolitan's water sales. First, the greater the water available from the Los Angeles Aqueduct, the lower Metropolitan's water sales. Second, with the initiation of San Diego's significant acquisitions of Colorado River water and Canal Lining water in 2003, there is now an independent declining trend in Metropolitan's water sales. All these factors explain 87 percent of the annual variation in Metropolitan's water sales. The factors are individually and jointly statistically significant. The estimated model tracks the annual variability in Metropolitan's water sales (see Chart A-1).⁴⁹

Table A-1
Statistical Model of Metropolitan's Water Sales
(depending variable: natural logarithm of sales)

<i>Factor</i>	<i>Co-efficient</i>	<i>T-Statistic</i>
Intercept	-6.733	-1.72
Local Rainfall (inches)	-0.005	-2.80
Real Water Price ('14\$/AF)*	-0.442	-4.32
Real Personal Income ('14\$/AF)*	0.950	6.70
LA Aqueduct Deliveries*	-0.155	-3.86
Post-2003 Trend	-0.045	-5.49
* natural logarithm		
R ² = 0.87		
Standard Error Residual: 0.07		
Serial Correlation Residual: -0.05		
F-Statistic: 25.1		
Level of Significance: 0.0000009		

⁴⁸ Metropolitan water sales for firm, interruptible, agriculture and storage water service. Metropolitan's water price equals the price for firm service and the readiness-to-serve charge divided by the total base used in the apportionment of the readiness-to-serve obligation. Local rainfall measured by the annual rainfall in Los Angeles. The Metropolitan water rate stated in terms of 2014\$ using the Bureau of Labor Statistic's Consumer Price Index. Real personal income from Bureau of Economic Analysis, U.S. Department of Commerce

⁴⁹ The lack of any serial correlation in the model's residual confirms an underlying statistical assumption of the method of model estimation (ordinary least squares).

Local Rainfall

Variability in local rainfall has a material impact on Metropolitan water sales (see Chart A-2).⁵⁰ For above average rainfall, Metropolitan water sales decline by 6% to 12%. For below average rainfall, Metropolitan water sales increase by 2% to 6%.

Real Water Price

Metropolitan's real water price has been on an oscillating but increasing trend. The real water price was increasing through the mid-1990s, then declined until 2008, and has been on a sharp upward trend thereafter. The annual increases in the real water price during the 1990s reduced annual Metropolitan water sales by up to 7% and the annual increases in the real water price after 2008 reduced annual Metropolitan water sales by up to 10% (see Chart A-3).⁵¹ In contrast, the annual declines in the real water price between the mid-1990s through 2007 only increased annual Metropolitan annual water sales by up to 4%. The cumulative increase in the real water price from 1990 through 2014 is estimated to reduce annual Metropolitan water sales by 29%.⁵²

An increased real water price has two impacts on member agency demand for Metropolitan water. First, increased Metropolitan water rates increase the price paid by retail customers and provide an economic incentive to reduce water usage. Second, increased Metropolitan water rates make member agency local water supply projects more attractive and provide an economic incentive for member agencies to reduce their dependence on Metropolitan.

Real Personal Income

Real personal income in the six counties within Metropolitan's service area has been generally increasing due to population growth and increases in real per capita personal income. During times of positive growth, annual Metropolitan water sales generally increases by 2% to 4%, although the economic expansion in the late 1990s increased annual Metropolitan water sales by almost 7% (see Chart A-4).⁵³ In contrast, during times of economic decline, annual Metropolitan water sales generally decline by between 2% and 4%. The cumulative increase in real personal income from 1990 through 2014, when considered independently of all other variables, is estimated to increase permanently annual Metropolitan water sales by 41%.⁵⁴

⁵⁰ Impact of rainfall variability estimated by multiplying the estimated co-efficient for local rainfall (-0.005) by the difference between local rainfall in the year and the average of local rainfall for 1990-2014 (14.35 inches).

⁵¹ Impact of annual changes in the real water price estimated by multiplying the estimated coefficient for the real water price (-0.442) by the difference in the natural logarithm of the real water price in a year and the natural logarithm of the real water price in the prior year.

⁵² Impact estimated by multiplying the estimated co-efficient for the real water price (-0.442) by the difference in the natural logarithm of the real water price in 2014 (6.52) and the natural logarithm of the real water price in 1990 (5.88).

⁵³ Impact of annual changes in real personal income estimated by multiplying the estimated the estimated co-efficient for real personal income (0.95) by the difference in the natural logarithm of real personal income in a year and the natural logarithm of real personal income in the prior year.

⁵⁴ Impact estimated by multiplying the estimated co-efficient for the real personal income (0.950) by the difference in the natural logarithm of real personal income in 2014 (27.20) and the natural logarithm of real personal income in 1990 (27.63).

Los Angeles Aqueduct Deliveries

Variability in LA Aqueduct supplies has a material impact on Metropolitan water sales (see Chart A-5).⁵⁵ The annual variability in LA Aqueduct supplies increases the variability in Metropolitan water sales by up to 20% (10% +/-). The two highest years for the estimated increases in Metropolitan water sales, (fiscal year ending 2008 and 2013) include the calendar years when Metropolitan withdrew water from storage even though SWP Allocations exceeded 60%.⁵⁶ The decline in deliveries from the LA Aqueduct from 1990 through 2014 is estimated to have increased annual Metropolitan water sales by 19%.⁵⁷

Post 2003 Trend

As discussed above, the year 2003 was a deterioration in Metropolitan's water supplies. It also triggered the start of San Diego's long-term Colorado River water program that will develop 280,000 acre feet of alternative Colorado River water supplies. Further, San Diego has followed up with the completion of the Carlsbad seawater desalination plant that can produce up to 56,000 AF per year. Other member agencies have also engaged in significant local projects.

The Post-2003 trend reflects the impact of all of these activities on Metropolitan water sales. At an annual 4.5% rate decline for the period 2003 through 2014, this trend signifies, based on all factors (i.e. local rainfall, Metropolitan's real water price, real personal income and LA Aqueduct deliveries), that the trend in Metropolitan's water sales is down by 40%.⁵⁸

⁵⁵ Impact of LA Aqueduct supply variability estimated by multiplying the estimated co-efficient for LA Aqueduct supplies (-0.155) by the difference between the natural logarithm of LA Aqueduct supplies in the year and the natural logarithm of LA Aqueduct supplies in the prior year.

⁵⁶ As displayed in Chart 14, there are two years from the change in storage was negative while SWP Allocations were in excess of 60%. These are the two years discussed in the text.

⁵⁷ Impact estimated by multiplying the estimated co-efficient for the LA Aqueduct deliveries (-.155) by the difference in the natural logarithm of LA Aqueduct deliveries in 2014 (11.02) and the natural logarithm of LA Aqueduct deliveries in 1990 (12.24).

⁵⁸ $-40\% \approx (1 - 0.0455)^{11} - 1$

**Chart A-1
Metropolitan Water Sales Model**

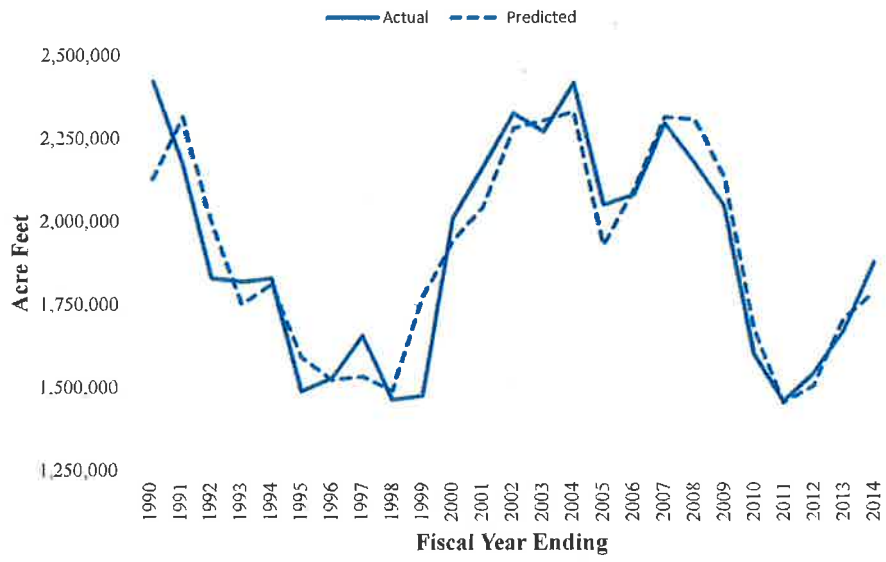


Chart A-2
Estimated Impact of Rainfall Variability on
Metropolitan Water Sales

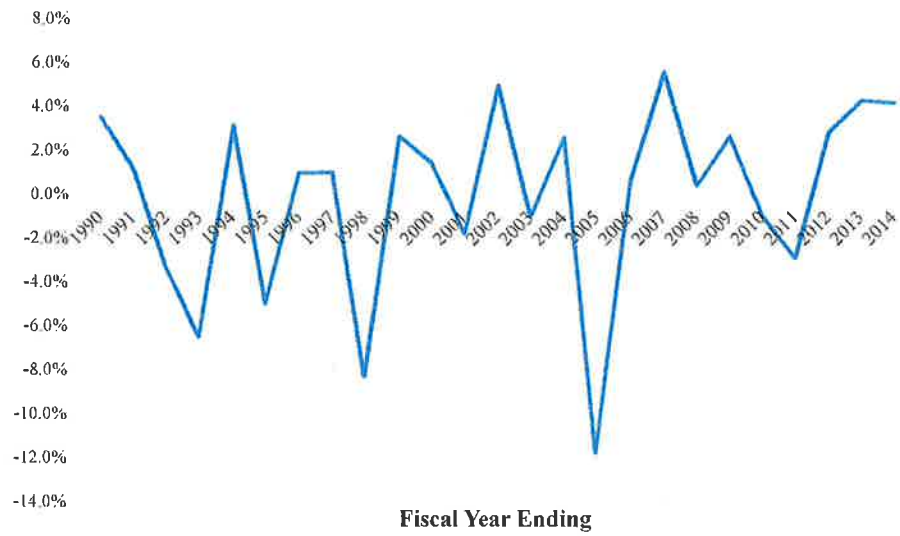


Chart A-3
Estimated Impact of Annual Changes in Real Water Price on Metropolitan Water Sales

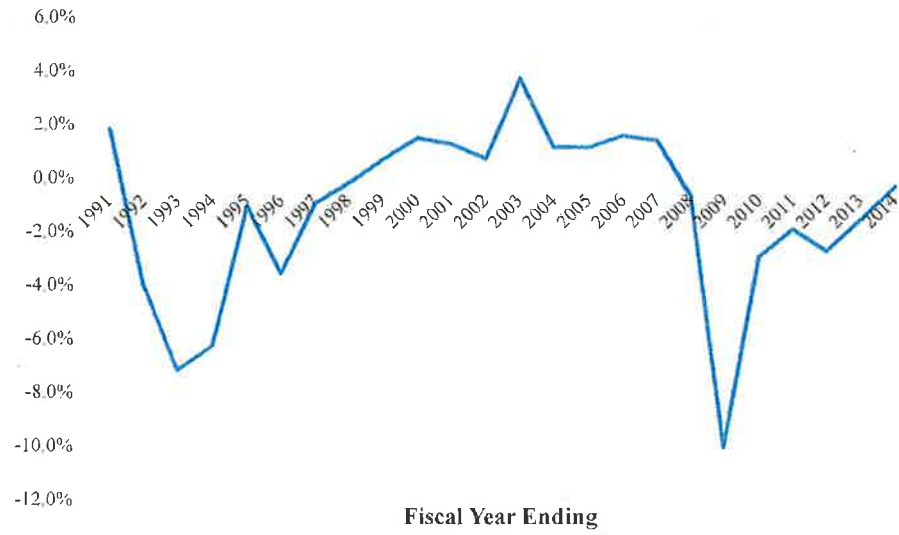


Chart A-4
Estimated Impact of Annual Changes in Real Personal
Income on Metropolitan Water Sales

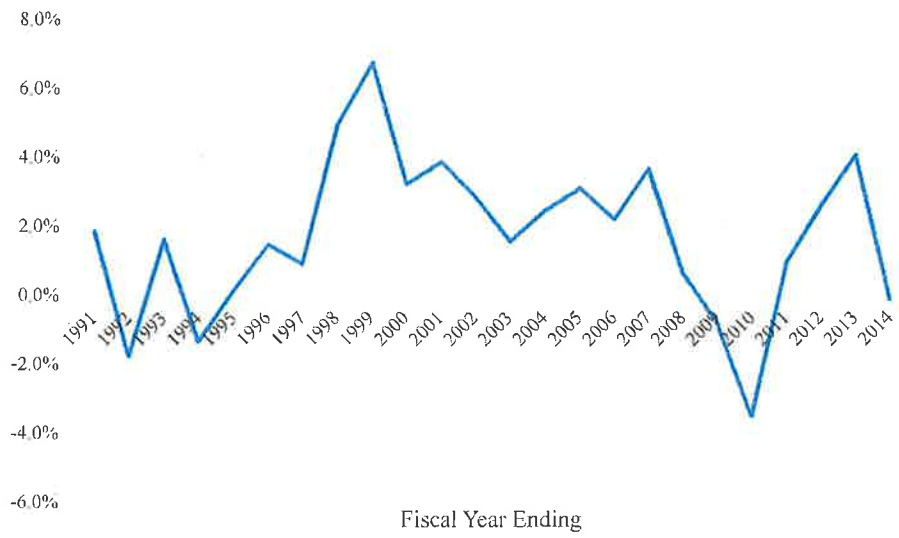
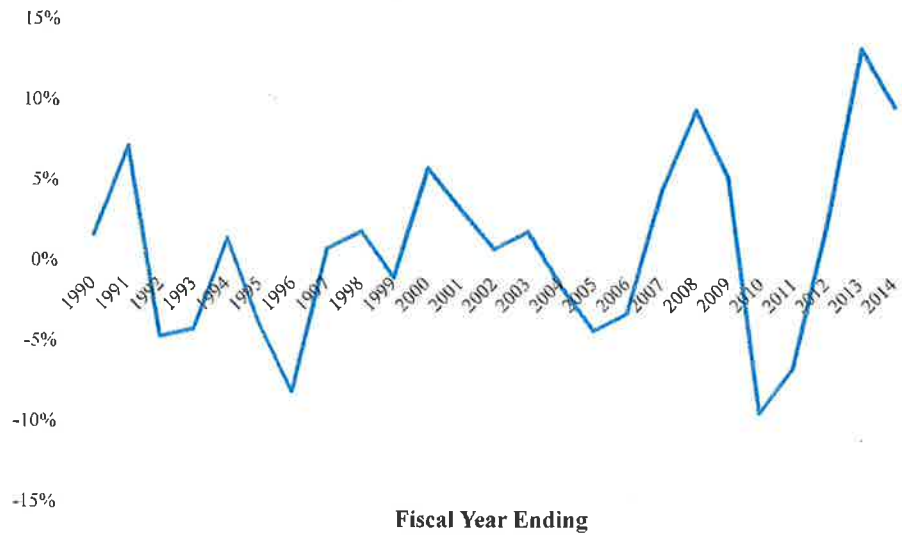


Chart A-5
Estimated Impact of Variability in LA Aqueduct Supplies on Metropolitan Water Sales



Attachment 3

Master Index of Documents San Diego County Water Authority
Requests be Included in the Administrative Record for Setting
of MWD Rates and Charges for Calendar Years 2017 and 2018
(4-9-16)

Master Index of Documents San Diego County Water Authority Requests be Included in the Administrative Record for Setting of MWD Rates and Charges for Calendar Years 2017 and 2018			
SDCWA Item No.	Date	Description	Method of Introduction
SDCWA 001	1/27/14	SDCWA Written Request for Notice under Gov. Code Section 54999.7(d) and Request for Data and Proposed Methodology for Establishing Rates and Charges (Government Code Section 54999.7(e))	CD#6
SDCWA 002	2/28/14	SDCWA Renewed written request for data and proposed methodology for establishing rates and charges (Gov. Code 54999.7 and 6250)	CD#6
SDCWA 003	3/10/14	MWD Response to Request for Information Dated February 28, 2014	CD#6
SDCWA 004	3/10/14	Testimony of Dennis Cushman before MWD Finance and Insurance Committee Meeting Agenda Item 8b: Proposed Rates for 2015 and 2016	CD#6
SDCWA 005	3/11/14	Testimony of Dennis Cushman at MWD Board Meeting Public Hearing on Proposed Rates for Calendar Years 2015 and 2016	CD#6
SDCWA 006	3/11/14	March 11, 2014 Letter - Public Hearing Comments on Proposed Rates and Charges, with attachments	CD#6
SDCWA 007	3/11/14	Administrative Record for Setting of MWD's 2013 and 2014 Rates in <i>SDCWA v. MWD</i> , Case No. CPF-12-512466 (S.F. Superior Court) which is inclusive of the Administrative Record in the case challenging MWD's 2011 and 2012 Rates (<i>SDCWA v. MWD</i> , Case No. CPF-10-510830 (S.F. Superior Court))	CD#1
SDCWA 008	3/11/14	Additional documents SDCWA requested be included in Administrative Record for the adoption of MWD's calendar year 2015 and 2016 rates	CD#2
SDCWA 009	3/10/14	CD of Post-Trial Briefs, Transcripts, and Statements of Decision in 2014 Rate Case; Cushman Testimony to MWD Finance and Insurance Committee, and Cushman Board Public Hearing Testimony and Transmittal Letter	CD#3
SDCWA 010	3/19/14	MWD letter to SDCWA forwarding DVD containing MWD records	CD#6
SDCWA 011		<i>Reserved</i>	
SDCWA 012		<i>Reserved</i>	
SDCWA 013		Documents and Testimony from Phase II of the <i>SDCWA v. MWD</i> Trial (2010 and 2012 Rate Cases)	CD#5

SDCWA 014	4/8/14	Letter Re: April 7, 2014 Finance and Insurance Committee Meeting Board Memo 8-1 - Approve proposed biennial budget for fiscal year 2014/15 and 15/16, proposed ten-year forecast, proposed revenue requirement for fiscal year 2014/15 and 2015/16 and recommend water rates; adopt resolution fixing and adopting water rates and charges for 2015 and 2016; and transmit the General Manager's Business Plan Strategic Priorities for FY 2014/15 and 2015/16 - COMMENTS ON PROPOSED WATER RATES AND CHARGES (FOR 2015 AND 2016)	CD#6
SDCWA 015	4/8/14	Documents forwarded with SDCWA 014	CD#6
SDCWA 016	8/16/10	Comment Letter on MWD Staff Analysis on Opt-in/Opt-out Conservation Program (August 16, 2010)	CD#6
SDCWA 017	10/11/10	Integrated Resources Plan (October 11, 2010)	CD#6
SDCWA 018	11/29/10	MWD Draft Long Term Conservation Plan (November 29, 2010)	CD#6
SDCWA 019	1/5/11	Draft Long Range Finance Plan (January 5, 2011)	CD#6
SDCWA 020	4/25/11	MWD Discounted Water Program (April 25, 2011)	CD#6
SDCWA 021	5/4/11	MWD's Response to the Water Authority's April 25, 2011 Discounted Water Program Letter (May 4, 2011)	CD#6
SDCWA 022	5/6/11	Sale of Discounted Water (May 6, 2011)	CD#6
SDCWA 023	6/13/11	MWD Local Resources Program – Chino Desalter (June 13, 2011)	CD#6
SDCWA 024	7/20/11	Comments on Long Term Conservation Plan Working Draft Version 11 (July 20, 2011)	CD#6
SDCWA 025	8/16/11	Member Agency Willingness to Sign Take-or-Pay Contracts (August 16, 2011)	CD#6
SDCWA 026	9/9/11	Adjustments to MWD's Water Supply Allocation Plan Formula (September 9, 2011)	CD#6
SDCWA 027	9/12/11	Comments and Questions – Replenishment Service Program (September 12, 2011)	CD#6
SDCWA 028	10/7/11	Water Planning and Stewardship Reports – lack of justifications to demonstrate needs and benefits (October 7, 2011)	CD#6
SDCWA 029	10/25/11	KPMG Audit Report (October 25, 2011)	CD#6
SDCWA 030	11/4/11	Letter on Approve Policy Principles for a Replenishment (Discounted Water) Program (November 4, 2011)	CD#6
SDCWA 031	11/23/11	Turf Replacement Grant (November 23, 2011)	CD#6
SDCWA 032	12/12/11	Letter on Review Options for Updated Replenishment (Discounted Water) Program (December 12, 2011)	CD#6

SDCWA 033	12/13/11	Water Authority's Request to Include Information in MWD's SB 60 (December 13, 2011)	CD#6
SDCWA 034	1/5/12	Response letter to MWD Letters on Replenishment Dated December 21, 2011 (January 5, 2012)	CD#6
SDCWA 035	1/18/12	MWD Response to January 5, 2012 Letter on Replenishment Workgroup Materials addressed to MWD Delegation (January 18, 2012)	CD#6
SDCWA 036	3/12/12	Oppose Local Resources Program Agreements (March 12, 2012)	CD#6
SDCWA 037	3/13/12	San Diego County Water Authority's Annexation (March 13, 2012)	CD#6
SDCWA 038	4/9/12	Re: Board Memo 8-2: Authorize the execution and distribution on the Official Statement in connection with the issuance of the Water Revenue Refunding Bonds (April 9, 2012)	CD#6
SDCWA 039	5/7/12	Oppose changes to water conservation incentives (subsidies) as described (May 7, 2012)	CD#6
SDCWA 040	6/11/12	Re: Agenda Item 8-8: Authorize the execution and distribution of Official Statements in connection with issuance of the Water Revenue Refunding Bonds (June 11, 2012)	CD#6
SDCWA 041	6/11/12	Oppose Local Resources Program Agreement with MWDOC and the City of San Clemente for the San Clemente Recycled Water System Expansion Project (June 11, 2012)	CD#6
SDCWA 042	7/9/12	Update on Rate Refinement Discussions (July 9, 2012)	CD#6
SDCWA 043	8/16/12	Rate Refinement Workshop (August 16, 2012)	CD#6
SDCWA 044	8/20/12	Re: Board Memo : Authorize the execution and distribution of an Official Statement for potential refunding of Water Revenue Bonds (August 20, 2012)	CD#6
SDCWA 045	8/20/12	Oppose Local Resources Program Agreement with MWDOC and El Toro Water District for the El Toro Recycled Water System Expansion Project (August 20, 2012)	CD#6
SDCWA 046	8/29/12	Re: Confirmation of MWD's review of Water Authority's August 20, 2012 comments on Appendix A and OS (August 29, 2012)	CD#6
SDCWA 047	9/10/12	Update on "Rate Refinement" (Board Information Item 7-b) (September 10, 2012)	CD#6
SDCWA 048	9/10/12	Comments and Positions on Proposed Amendments to the MWD Administrative Code (September 10, 2012)	CD#6

SDCWA 049	10/8/12	Water Authority's Response to MWD's September 4, 2012 Letter Regarding Water Authority's Comments on Appendix A to Remarketing Statement and Official Statement (October 8, 2012)	CD#6
SDCWA 050	10/8/12	Water Authority's letter on Board Memo 8-3 – Approve the Form of the Amended and Restated Purchase Order and Authorize Amendment to the Administrative Code (October 8, 2012)	CD#6
SDCWA 051	10/9/12	Water Authority's testimony, as given by Dennis Cushman, on benefits of QSA to MWD (October 9, 2012)	CD#6
SDCWA 052	11/4/12	Director Lewinger's letter to CFO Breaux re: Tracking Revenues from Rate Components Against Actual Expenditures (November 4, 2012)	CD#6
SDCWA 053	11/5/12	Water Authority Opposition to Board Memo 8-1: Authorize the Execution and Distribution of the Official Statement in Connection with the Issuance of the Water Revenue Refunding Bonds, 2012 Series G (November 5, 2012)	CD#6
SDCWA 054	12/10/12	Water Authority's letter re: 7-2: Authorize MOU for Greater LA County Region Integrated Regional Water Management Plan Leadership Committee and join other IRWM groups in our service area if invited by member agencies (December 10, 2012)	CD#6
SDCWA 055	12/10/12	Water Authority's Letter re: SB 60 Annual Public Hearing and Report to the Legislature Regarding Adequacy or MWD's UWMP – Request to Include Information in Report to Legislature (December 10, 2012)	CD#6
SDCWA 056	12/10/12	Oppose Local Resources Program agreement with TVMWD and Cal Poly Pomona for the Cal Poly Pomona Water Treatment Plant (December 10, 2012)	CD#6
SDCWA 057	12/27/12	Water Authority's letter on Amended and Restated Purchase Order for System Water to be Provided by the Metropolitan Water District of Southern California ("Revised Purchase Order Form") (December 27, 2012)	CD#6
SDCWA 058	1/14/13	Water Authority's response to MWD's letter regarding the Amended and Restated Purchase Order dated January 4, 2013 (January 14, 2013)	CD#6
SDCWA 059	2/11/13	Water Authority Opposition to Board Memo 8-1: Authorize the Execution and Distribution of the Official Statement in Connection with the Issuance of the Water Revenue Refunding Bonds, 2013 Series A, 2013 Series B, and 2013 Series C, and Amendment and Termination of	CD#6

		Interest Rate Swaps (February 11, 2013)	
SDCWA 060	2/11/13	Oppose Local Resources Program agreement with Calleguas MWD and Camrosa Water District for the Round Mountain Water Treatment Plant (February 11, 2013)	CD#6
SDCWA 061	2/11/13	Water Authority Delegation Statement on Item 7-5 re WaterSMART grant funding (February 11, 2013)	CD#6
SDCWA 062	3/7/13	Water Authority's Letter re: Board Item 9-1 – Proposed Foundational Actions Funding Program (March 7, 2013)	CD#6
SDCWA 063	4/8/13	Water Authority's Letter regarding Board Memo 8-1: Adopt resolutions imposing Readiness-to-Serve Charge and Capacity Charge effective January 1, 2014 – REQUEST TO TABLE OR IN THE ALTERNATIVE, OPPOSE (April 8, 2013)	CD#6
SDCWA 064	4/8/13	Water Authority's Letter re: Board Item 8-4: Approve Foundational Actions Funding Program -- OPPOSE (April 8, 2013)	CD#6
SDCWA 065	5/10/13	Oppose Local Resources Program agreement with Long Beach and Water Replenishment District for the Leo J. Vander Lands Water Treatment Facility Expansion Project (May 10, 2013)	CD#6
SDCWA 066	5/13/13	Water Authority Opposition to Board Memo 8-3: Authorize the Execution and Distribution of the Official Statement in Connection with the Issuance of the Special Variable Rate Water Revenue Refunding Bonds, 2013 Series D (May 13, 2013)	CD#6
SDCWA 067	5/14/13	Water Authority's Letter regarding the Public Hearing on Freezing the Ad Valorem Tax Rate (May 14, 2013)	CD#6
SDCWA 068	5/29/13	MWD letter to State Legislature Notifying of Public Hearing on Ad Valorem Tax Rate (May 29, 2013)	CD#6
SDCWA 069	6/5/13	Water Authority letter re 8-1: Mid-cycle Budget Review and Use of Reserves (June 5, 2013)	CD#6
SDCWA 070	6/7/13	Water Authority Opposition to Board Memo 8-5 Authorize the Execution and Distribution of the Official Statement in connection with issuance of the Special Variable Rate Water Revenue Refunding Bonds (June 7, 2013)	CD#6

SDCWA 071	7/5/13	Oppose Local Resources Program agreement with the city of Anaheim for the Anaheim Water Recycling Demonstration Project (July 5, 2013)	CD#6
SDCWA 072	8/16/13	Water Authority's letter re 5G-2: Adopt resolution maintaining the tax rate for fiscal year 2013/14 – Oppose (August 16, 2013)	CD#6
SDCWA 073	8/19/13	Water Authority's Letter re: Entering into an exchange and purchase agreement with the San Gabriel Valley Municipal Water District (August 19, 2013)	CD#6
SDCWA 074	9/9/13	Water Authority Delegation Opposition letter to 8-3: Authorization to implement New Conservation Program Initiatives (September 9, 2013)	CD#6
SDCWA 075	9/10/13	Water Authority Delegation letter Opposing 8-2: Authorize staff to enter into funding agreements for Foundational Actions Funding Program proposals (September 10, 2013)	CD#6
SDCWA 076	9/11/13	Letter from Water Authority General Counsel Hentschke regarding Record of September 10, 2013 MWD Board Meeting (September 11, 2013)	CD#6
SDCWA 077	9/16/13	Letter from MWD General Counsel Scully responding to Hentschke's September 11, 2013 letter regarding Record of September 10, 2013 MWD Board Meeting (September 16, 2013)	CD#6
SDCWA 078	10/4/13	Residents for Sustainable Mojave Development comment letter on MWD's Role in Approving the Cadiz Valley Water Conservation, Recovery and Storage Project (October 4, 2013)	CD#6
SDCWA 079	10/4/13	Water Authority's letter supporting with reservation of rights to object to cost allocation regarding 8-3: Authorize agreement with the SWC to pursue 2014 Sacramento Valley water transfer supplies (October 4, 2013)	CD#6
SDCWA 080	10/4/13	Oppose Local Resources Program agreement with Eastern for the Perris II Brackish Groundwater Desalter (October 4, 2013)	CD#6
SDCWA 081	10/8/13	Water Authority's letter requesting to table or in the alternative to oppose 8-1: Authorize amendment to MWD's Cyclic Storage Agreement with Upper San Gabriel Valley Municipal Water District and the Main San Gabriel Basin Watermaster (October 8, 2013)	CD#6
SDCWA 082	11/1/13	AFSCME letter regarding the compensation recommendations for board direct reports (November 1,	CD#6

		2013)	
SDCWA 083	11/13/13	Water Authority letter regarding Foundational Actions Funding Program Agreement (November 13, 2013)	CD#6
SDCWA 084	11/14/13	Ethics Officer Ghaly letter to Ethics Committee Chair Edwards regarding Responses to Director Questions re Ethics Workshops (November 14, 2013)	CD#6
SDCWA 085	12/9/13	Water Authority Delegation letter regarding Board Memo 8-1: Authorize the execution and distribution of Remarketing Statements in connection with the remarketing of the water Revenue Refunding Bonds (December 9, 2013)	CD#6
SDCWA 086	12/9/13	Water Authority Delegation letter regarding SB 60 Report – Water Planning and Stewardship Committee Public Hearing (December 9, 2013)	CD#6
SDCWA 087	12/9/13	Water Authority Delegation letter regarding Applicability of MWD’s Administrative Code (December 9, 2013)	CD#6
SDCWA 088	1/10/14	MWD General Counsel response to Water Authority letter regarding Applicability of MWD’s Administrative Code (January 10, 2014)	CD#6
SDCWA 089	1/27/14	Water Authority General Counsel letter regarding Written Request for Notice Request for Data and Proposed Methodology for Establishing Rates and Charges (January 27, 2014)	CD#6
SDCWA 090	2/3/14	Mayors of 14 cities in San Diego Region letter regarding MWD’s Calendar Years 2015 and 2016 rate setting and fiscal years 2013 and 2014 over-collection (February 3, 2014)	CD#6
SDCWA 091	2/5/14	MWD General Counsel response to the Water Authority’s January 27, 2014 letter regarding Written Request for Notice Request for Data and Proposed Methodology for Establishing Rates and Charges (February 5, 2014)	CD#6
SDCWA 092	2/10/14	Water Authority Delegation letter regarding Board Memo 8-2 on On-Site Retrofit Pilot Program and Board Memo 8-7 on Increase of \$20 million for conservation incentives and outreach (February 10, 2014)	CD#6
SDCWA 093	2/28/14	Water Authority General Counsel response to MWD’s February 5, 2014 response letter regarding Written Request for Notice Request for Data and Proposed Methodology for Establishing Rates and Charges (February 28, 2014)	CD#6

SDCWA 094	3/7/14	Water Authority Delegation letter to California State Senator Steinberg and California State Assemblyman Pérez regarding MWD's Public Hearing on Suspension of Tax Rate Limitation (March 7, 2014)	CD#6
SDCWA 095	3/10/14	MWD General Counsel response to the Water Authority's February 28, 2014 response letter regarding Written Request for Notice Request for Data and Proposed Methodology for Establishing Rates and Charges (March 10, 2014)	CD#6
SDCWA 096	3/10/14	Water Authority Delegation letter regarding Board Memo 8-3 on Water Savings Incentive Program (WSIP) Agreement with Altman's Specialty Plants, Inc. (March 10, 2014)	CD#6
SDCWA 097	3/19/14	MWD General Counsel response with DVD of information to the Water Authority's February 28, 2014 response letter regarding Written Request for Notice Request for Data and Proposed Methodology for Establishing Rates and Charges (March 19, 2014)	CD#6
SDCWA 098	4/4/14	MWD General Counsel further response with DVD of information to the Water Authority's February 28, 2014 response letter regarding Written Request for Notice Request for Data and Proposed Methodology for Establishing Rates and Charges (April 4, 2014)	CD#6
SDCWA 099	3/4/16	CD of Correspondences between SDCWA and MWD during the 2015 and 2016 calendar years relevant to the determination, evaluation, and legitimacy of water rates for 2017 and 2018	CD#7
SDCWA 100	12/9/10	Comments to MWD on Draft Official Statement	CD#7
SDCWA 101	12/13/10	MWD's response to the Water Authority's December 9 Official Statement on MWD's Appendix A	CD#7
SDCWA 102	5/24/11	MWD's Response to Water Authority's May 16 Official Statement	CD#7
SDCWA 103	8/15/11	Opposition Letter on Long Term Conservation Plan and Revised Policy Principles on Water Conservation (August 15, 2011)	CD#7
SDCWA 104	12/21/11	MWD's Response to Water Authority's December 12, 2011 letter on Replenishment Program (December 21, 2011)	CD#7
SDCWA 105	1/18/12	MWD's Letter on Request to Include Information in Report to Legislature (January 18, 2012)	CD#7

SDCWA 106	1/18/12	MWD's Replenishment Workgroup Documentation Response Letter to Water Authority's January 5, 2012 "MWD Letters on Replenishment dated December 21, 2011" addressed to Ken Weinberg (January 18, 2012)	CD#7
SDCWA 107	2/10/12	MWD Response Letter to Proposed Biennial Budget and Associated Rates and Charges for 2012/13 and 2013/14 (February 10, 2012)	CD#7
SDCWA 108	3/9/12	MWD's Response to Water Authority's March 5, 2012 "Comments on Proposed Rates and Charges" (March 9, 2012)	CD#7
SDCWA 109	4/5/12	MWD's Response to Water Authority Report on Cost of Service Review (April 5, 2012)	CD#7
SDCWA 110	9/4/12	MWD's Response to Comments on Appendix A to Remarketing Statement and Official Statement	CD#7
SDCWA 111	9/7/12	MWD Response to August 16, 2012 Rate Refinement Workshop Letter (September 7, 2012)	CD#7
SDCWA 112	10/25/12	MWD's Response to Water Authority's October 8, 2012 letter re: MWD's September 4, 2012 letter regarding Appendix A to Remarketing Statement and Official Statement	CD#7
SDCWA 113	10/30/12	MWD's Response to Water Authority's October 8, 2012 letter regarding Board Memo 8-3 on Purchase Orders (October 30, 2012)	CD#7
SDCWA 114	11/19/12	MWD's Response to Water Authority's November 5, 2012 Letter Regarding Board Item 8-1: Authorize the Execution and Distribution of the Official Statement in Connection with the Issuance of the Water Revenue Refunding Bonds, 2012 Series G	CD#7
SDCWA 115	12/26/12	Letter from Water Authority Chair Wornham inviting MWD Chair Foley to lunch (December 26, 2012)	CD#7
SDCWA 116	1/4/13	MWD's response to Water Authority's letter on Amended and Restated Purchase Order dated December 27, 2012 (January 4, 2013)	CD#7
SDCWA 117	1/16/13	MWD's response to Water Authority's letter on Amended and Restated Purchase Order dated January 14, 2013 (January 16, 2013)	CD#7
SDCWA 118	2/19/13	MWD's response to Water Authority's Letter re: Board Memo 8-1 dated February 11, 2013	CD#7
SDCWA 119	5/22/13	MWD's response to Water Authority's Letter re: Board Memo 8-3 dated May 13, 2013	CD#7

SDCWA 120	6/18/13	MWD's response to Water Authority's June 7, 2013 letter re: Board Memo 8-5 Authorize the Execution and Distribution of the Official Statement in connection with issuance of the Special Variable Rate Water Revenue Refunding Bonds	CD#7
SDCWA 121	11/18/13	Water Authority letter regarding Unlawful recording by MWD of telephone conversations with Water Authority staff (November 18, 2013)	CD#7
SDCWA 122	11/20/13	MWD response to Water Authority's November 13 letter regarding Foundational Actions Funding Program Agreement (November 20, 2013)	CD#7
SDCWA 123	11/20/13	MWD's response to Water Authority's November 18 letter regarding Skinner Treatment Plan Telephone Recordings (November 20, 2013)	CD#7
SDCWA 124	11/21/13	MWD's response to AFSCME's November 1 letter regarding compensation recommendations for board direct reports (November 21, 2013)	CD#7
SDCWA 125	12/13/13	MWD response to Water Authority's December 9, 2013 letter regarding Board Memo 8-1: Authorize the execution and distribution of Remarking Statements in connection with the remarketing of the water Revenue Refunding Bonds	CD#7
SDCWA 126	4/8/14	Water Authority Assistant General Manager's letter to MWD General Manager Kightlinger and Board regarding MWD's proposed biennial budget for fiscal years 2014/15 and 2015/16, proposed ten-year forecast, and recommended water rates for calendar years 2015 and 2016 (April 8, 2014)	CD#7
SDCWA 127	4/8/14	Water Authority Assistant General Manager's letter to MWD Clerk of the Board Chin regarding MWD's proposed biennial budget for fiscal years 2014/15 and 2015/16, proposed ten-year forecast, and recommended water rates for calendar years 2015 and 2016 (April 8, 2014)	CD#7
SDCWA 128	5/2/14	Water Authority General Manager letter regarding Compliance with Paragraph 11.1 of the Amended and Restated Agreement between MWD and the Water Authority for the Exchange of Water dated October 10, 2003 (May 2, 2014)	CD#7

SDCWA 129	5/12/14	Water Authority Delegation letter regarding Board Memo 8-2: Authorize execution and distribution of the Official Statement in connection with the issuance of the Special Variable Rate Water Revenue Refunding Bonds, 2014 Series D, and authorize payment of costs and issuance from bond proceeds – Oppose	CD#7
SDCWA 130	5/12/14	Water Authority Delegation letter regarding Board Item 8-6 – Authorize changes to conservation program in response to drought conditions – Support Implementation of Conservation Measures in Response to State Drought Conditions; Oppose Use of Illegal Rates to Pay for Water Conservation Measures (May 12, 2014)	CD#7
SDCWA 131	5/16/14	Please see section 11 (Subsidy Programs – Conservation) for the Water Authority General Manager’s letter to California Natural Resources Agency Secretary Laird regarding Water Conservation and MWD Rates (May 16, 2014)	CD#7
SDCWA 132	5/16/14	Water Authority General Manager’s letter to California Natural Resources Agency Secretary Laird regarding Water Conservation and MWD Rates (May 16, 2014)	CD#7
SDCWA 133	5/19/14	MWD’s response letter to Water Authority’s May 12, 2014 letter regarding MWD’s Official Statement	CD#7
SDCWA 134	7/14/14	MWD General Manager’s letter to the State Water Resources Control Board regarding Emergency Water Conservation Regulations (July 14, 2014)	CD#7
SDCWA 135	8/18/14	MWD General Manager’s letter to the State Water Resources Control Board regarding Emergency Water Conservation and Curtailment Regulations (August 18, 2014)	CD#7
SDCWA 136	10/11/14	Water Authority Delegation letter to MWD regarding Refinements to Local Resources Program (October 11, 2014)	CD#7
SDCWA 137	10/11/14	Water Authority Chair Weston’s letter to MWD Chair Record regarding the MWD Board Room Demeanor (October 11, 2014)	CD#7
SDCWA 138	10/13/14	Water Authority Delegation letter to MWD regarding Update on Purchase Orders (October 13, 2014)	CD#7
SDCWA 139	10/15/14	Central Basin Water Association letter to Central Basin regarding MWD’s failure to deliver 60,000 acre-feet of groundwater replenishment supplies (October 15, 2014)	CD#7
SDCWA 140	10/17/14	MWD Chair Record’s response letter to Water Authority Chair Weston regarding MWD Board Room Demeanor	CD#7

		(October 17, 2014)	
SDCWA 141	10/31/14	Central Basin letter to MWD regarding delivery of 60,000 acre-feet of groundwater replenishment supplies and preferential rights (October 31, 2014)	CD#7
SDCWA 142	11/12/14	MWD's response to Central Basin's letter regarding delivery of 60,000 acre-feet of groundwater replenishment supplies and preferential rights (November 12, 2014)	CD#7
SDCWA 143	11/17/14	Water Authority Delegates letter to MWD regarding MWD's Official Statement	CD#7
SDCWA 144	11/17/14	Water Authority Delegates letter to MWD regarding Purchase Orders (November 17, 2014)	CD#7
SDCWA 145	11/17/14	Water Authority Delegates letter to MWD regarding Balancing Accounts (November 17, 2014)	CD#7
SDCWA 146	11/18/14	City of Signal Hill Letter to MWD Chair Record regarding Central Basin's request for replenishment water (November 18, 2014)	CD#7
SDCWA 147	11/20/14	MWD's response letter to Water Authority's November 17, 2014 letter regarding MWD's Official Statement	CD#7
SDCWA 148	12/5/14	Central Basin Letter to MWD regarding replenishment deliveries and rescinding preferential rights (December 5, 2014)	CD#7
SDCWA 149	12/8/14	Water Authority Delegates letter to MWD regarding modifications to Water Supply Allocation Plan (December 8, 2014)	CD#7
SDCWA 150	12/8/14	Mayors of the cities of San Diego and Los Angeles joint letter to MWD regarding modifications to Water Supply Allocation Plan and separate groundwater replenishment allocation (December 8, 2014)	CD#7
SDCWA 151	12/8/14	Water Authority Delegates letter to MWD regarding SB 60 Report – Water Planning and Stewardship Committee Public Hearing (December 8, 2014)	CD#7
SDCWA 152	12/8/14	Water Authority Delegates letter to MWD regarding Conservation Spending and Efforts (December 8, 2014)	CD#7
SDCWA 153	12/8/14	Southwest Water Coalition Letter to MWD Chair Record regarding Central Basin's Groundwater Replenishment Requests (December 8, 2014)	CD#7
SDCWA 154	12/9/14	MWD Chair Record response letter to Signal Hill regarding Central Basin's request for replenishment water (December 9, 2014)	CD#7

SDCWA 155	12/17/14	MWD Chair Record response letter to Southwest Water Coalition regarding Central Basin's request for replenishment water (December 17, 2014)	CD#7
SDCWA 156	12/18/14	MWD response letter to mayors of the cities of San Diego and Los Angeles joint letter to MWD regarding modifications to Water Supply Allocation Plan and separate groundwater replenishment allocation (December 18, 2014)	CD#7
SDCWA 157	1/5/15	Gateway Cities response letter to mayors of the cities of San Diego and Los Angeles joint letter to MWD regarding modifications to Water Supply Allocation Plan and separate groundwater replenishment allocation (January 5, 2015)	CD#7
SDCWA 158	3/5/15	MWDOC's letter to MWD supporting to Approve and Authorize Execution and Distribution of Remarketing Statements in Connection with Remarketing of water revenue refunding bonds (March 5, 2015)	CD#7
SDCWA 159	3/6/15	Water Authority Delegation letter to MWD regarding Water Planning and Stewardship Committee Agenda and Water Supply Management Strategies including Use of Storage (March 6, 2015)	CD#7
SDCWA 160	3/9/15	Water Authority Delegates letter to MWD regarding MWD's Official Statement (March 9, 2015)	CD#7
SDCWA 161	3/17/15	MWD's response letter to Water Authority's November 17, 2014 letter regarding MWD's Official Statement (March 17, 2015)	CD#7
SDCWA 162	3/26/15	MWD Chair letter to Assembly Minority Leader Olsen regarding Invitation to Tour Diamond Valley Lake (March 26, 2015)	CD#7
SDCWA 163	3/26/15	MWD Chair letter to Assembly Speaker Atkins regarding Invitation to Tour Diamond Valley Lake (March 26, 2015)	CD#7
SDCWA 164	4/13/15	Water Authority Delegates letter to MWD Board regarding Calendar Year 2016 Readiness-to-Serve and Capacity charges (April 13, 2015)	CD#7
SDCWA 165	5/4/15	Water Authority General Manager's letter to State Water Resources Control Board regarding Drought Regulation (May 4, 2015)	CD#7
SDCWA 166	5/8/15	Water Authority Delegates letter to MWD regarding Authorization of \$150 million in Additional Funding for Conservation Incentives and Implementation of Modifications to the Turf Removal Program (May 8, 2015)	CD#7

SDCWA 167	5/9/15	Water Authority Delegates letter to MWD Board regarding MWD's Water Standby Charge for Fiscal Year 2016 (May 9, 2015)	CD#7
SDCWA 168	5/25/15	Water Authority Delegates letter to MWD regarding Authorization of \$350 million in Additional Funding for Conservation Incentives and Implementation of Modifications to the Turf Removal Program (May 25, 2015)	CD#7
SDCWA 169	6/5/15	Water Authority Delegates letter to MWD opposing MWD's Official Statement (June 5, 2015)	CD#7
SDCWA 170	6/22/15	MWD's response letter to the Delegates' June 5 letter regarding MWD's Official Statement (June 22, 2015)	CD#7
SDCWA 171	7/1/15	Water Authority General Manager's letter to State Water Resources Control Board regarding Conservation Water Pricing and Governor's Executive Order for 25 Percent Conservation (July 1, 2015)	CD#7
SDCWA 172	7/9/15	Water Authority Delegates letter to MWD Board regarding Adopt a Resolution for the Reimbursement with Bond Proceeds of Capital Investment Plan projects funded from the General Fund and Replacement and Refurbishment Fund (July 9, 2015)	CD#7
SDCWA 173	8/5/15	Water Authority General Counsel's letter to MWD regarding Public Records Act request and MWD's Turf Removal Program (August 5, 2015)	CD#7
SDCWA 174	8/6/15	MWD response to Water Authority's August 5 letter regarding Public Records Act request and MWD's Turf Removal Program (August 6, 2015)	CD#7
SDCWA 175	8/7/15	Water Authority Delegate Lewinger's letter to MWD requesting Information on MWD's Turf Removal Program (August 7, 2015)	CD#7
SDCWA 176	8/11/15	Olivenhain General Manager letter to MWD and Water Authority regarding Public Records Act request and MWD's Turf Removal Program (August 11, 2015)	CD#7
SDCWA 177	8/12/15	Rincon Del Diablo letter to MWD and Water Authority regarding Public Records Act request and MWD's Turf Removal Program (August 12, 2015)	CD#7
SDCWA 178	8/13/15	MWD response to Olivenhain's letter regarding Public Records Act request and MWD's Turf Removal Program (August 13, 2015)	CD#7
SDCWA 179	8/14/15	Poway letter to MWD and Water Authority regarding Public Records Act request and MWD's Turf Removal Program (August 14, 2015)	CD#7

SDCWA 180	8/15/15	Water Authority Delegates letter to MWD Board regarding Maintaining the Ad Valorem Tax Rate for Fiscal Year 2016 (August 15, 2015)	CD#7
SDCWA 181	8/16/15	Water Authority Delegates letter to MWD Board regarding Amendment to the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus (August 16, 2015)	CD#7
SDCWA 182	8/17/15	MWD response to Poway's letter regarding Public Records Act request and MWD's Turf Removal Program (August 17, 2015)	CD#7
SDCWA 183	8/17/15	MWD response to Rincon Del Diablo's letter regarding Public Records Act request and MWD's Turf Removal Program (August 17, 2015)	CD#7
SDCWA 184	9/18/15	Water Authority Joint Letter to State Water Resources Control Board regarding Mandatory Drought Regulations (September 18, 2015)	CD#7
SDCWA 185	9/20/15	Water Authority Delegates Letter to MWD regarding approve the introduction by title only of an Ordinance Determining That The Interests of The District Require The Use of Revenue Bonds In The Aggregate Principal Amount of \$5 Million (September 20, 2015)	CD#7
SDCWA 186	9/20/15	Water Authority Delegates letter to MWD regarding Recycled Water Program with Los Angeles County Sanitation Districts (September 20, 2015)	CD#7
SDCWA 187	10/10/15	Water Authority Delegates Letter to MWD regarding Adopt Ordinance No. 149 determining that the interests of MWD require the use of revenue bonds in the aggregate principal amount of \$500 million (October 10, 2015)	CD#7
SDCWA 188	10/11/15	Water Authority Delegates letter to MWD opposing MWD's Official Statement (October 11, 2015)	CD#7
SDCWA 189	10/26/15	Water Authority Delegates letter to MWD regarding MGO fiscal year 2015 audit report (October 26, 2015)	CD#7
SDCWA 190	11/5/15	Water Authority Interim Deputy General Counsel letter to MWD regarding procedures to authorize the sale of water revenue bonds (November 5, 2015)	CD#7
SDCWA 191	11/6/15	Water Authority Delegates letter to MWD opposing the authorization to sell up to \$250 million in Water Revenue Bonds (November 6, 2015)	CD#7

SDCWA 192	11/7/15	Water Authority Delegate letter regarding exchange and storage program with Antelope Valley-East Kern Water Agency (November 7, 2015)	CD#7
SDCWA 193	11/9/15	Water Authority Delegates letter to MWD regarding Recycled Water Program with Los Angeles County Sanitation Districts (November 9, 2015)	CD#7
SDCWA 194	11/10/15	MWD response to Water Foundation letter to MWD supporting Recycled Water Program with Los Angeles County Sanitation Districts (November 10, 2015)	CD#7
SDCWA 195	11/12/15	MWD response to Water Authority Delegates' October 11 letter to MWD opposing MWD's Official Statement (November 12, 2015)	CD#7
SDCWA 196	12/1/15	Water Authority General Manager's Letter to State Water Resources Control Board regarding comments on potential modifications to emergency conservation regulations (December 1, 2015)	CD#7
SDCWA 197	12/7/15	MWD letter to LACSD General Manager regarding potential recycled water program (December 7, 2015)	CD#7
SDCWA 198	1/6/16	Water Authority General Manager's letter commenting on State Water Resources Control Board's proposed regulatory framework (January 6, 2016)	CD#7
SDCWA 199	1/10/16	Water Authority Delegates' letter to MWD commenting on MWD's 2015 Integrated Water Resources Plan Update (January 10, 2016)	CD#7
SDCWA 200	1/28/16	Water Authority General Manager's letter commenting on State Water Resources Control Board's extended emergency conservation regulations (January 28, 2016)	CD#7
SDCWA 201	2/4/16	Water Authority General Counsel's letter to MWD requesting data and proposed methodology for establishing rates and charges (February 4, 2016)	CD#7
SDCWA 202	2/6/16	Water Authority Delegates' letter to MWD regarding MWD's proposed budget and rates for 2017 and 2018, and ten-year forecast (February 6, 2016)	CD#7
SDCWA 203	2/9/16	Water Authority Delegates' letter to MWD regarding cost of service report for proposed budget and rates for 2017 and 2018 (February 9, 2016)	CD#7
SDCWA 204	2/22/16	Water Authority Delegates' letter to MWD regarding budget and rates workshop #2 and information request (February 22, 2016)	CD#7
SDCWA 205	4/8/16	Index of Contents of CD#8	CD#8
SDCWA 206	8/18/31	Boulder Canyon Project Agreement	CD#8

SDCWA 207	11/12/85	MWD Memo to Board of Directors Re Preferential Rights	CD#8
SDCWA 208	10/17/07	MWD Funding Growth Related Capital Slides	CD#8
SDCWA 209	11/1/10	MWD Regional Urban Water Management Plan - Nov 2010	CD#8
SDCWA 210	7/1/14	MWD 2014 Annual Report	CD#8
SDCWA 211	7/24/14	MWD Fiscal Year To Date Billing Activity Report Through June 2014	CD#8
SDCWA 212	11/30/14	MWD SWP SOC Audit Report Full	CD#8
SDCWA 213	11/30/14	MWD SWP SOC Audio Summary	CD#8
SDCWA 214	5/1/15	CA Ct of App Holds Tiered Pricing Must Reflect Cost of Service	CD#8
SDCWA 215	6/1/15	Emerging Shortages in Colorado River Basin - Journal of Water	CD#8
SDCWA 216	6/30/15	MWD Preferential Rights Table	CD#8
SDCWA 217	7/17/15	MWD Fiscal Year To Date Billing Activity Report Through June 2015	CD#8
SDCWA 218	9/1/15	Metropolitan Purchase in PVID - Journal of Water	CD#8
SDCWA 219	10/1/15	Agreement with SNWA CRCN Increases Metropolitan Supplies	CD#8
SDCWA 220	12/1/15	California DWR Announces Initial SWP Allocation	CD#8
SDCWA 221	1/27/16	Hal Soper Email Re Overcollection with Attached Slide	CD#8
SDCWA 222	2/18/16	Water Authority General Counsel's letter to MWD requesting data under Cal. Public Records Act Section 6250 (February 18, 2016)	CD#8
SDCWA 223	2/26/16	Response of MWD General Counsel to Public Records Act Request Dated February 18, 2016 (Feb. 26, 2016)	CD#8
SDCWA 224	3/1/16	DWR Increases SWP Allocation to 45 Perc after Storms	CD#8
SDCWA 225	3/4/16	SDCWA Letter MWD GC Re Public Records Act Request of Feb. 18, 2016	CD#8
SDCWA 226	3/6/16	SDCWA to MWD Board Re March 7 Finance and Insurance Committee/Budget and Rates Workshop #3 Items 9-2	CD#8
SDCWA 227	3/30/16	Further Response to Public Records Act Request Dated February 18, 2016 (March 30, 2016)	CD#8
SDCWA 228	4/7/16	Index of MWD Storage Agreements and WSDM Documents	CD#8
SDCWA 229	4/7/16	Index to Video File Links for MWD Board Meetings April 2014-April 2016	CD#8
SDCWA 230	4/7/16	Index to Video File Links for MWD Finance and Insurance Committee April 2014-April 2016	CD#8

SDCWA 231	4/7/16	Index to Video File Links for MWD IRP Committee Meetings 2015-April 2016	CD#8
SDCWA 232	4/7/16	Letter from MWD GC to Water Authority GC Re Further Response to PRA (original contained DVD)	CD#8
SDCWA 233	4/7/16	Letter from MWD GC to Board of Directors RE Information Based Questions from F&I Meetings (PDF of Forwarded Email)	CD#8
SDCWA 234	4/7/16	MWD Fiscal Year Sales for 1980 to 2016	CD#8
SDCWA 235	4/8/16	SDCWA Excel Spreadsheet Re Overcollection	CD#8
SDCWA 236	4/8/16	MWD Storage Agreements and WSDM Documents identified in Index	CD#8
SDCWA 237	4/8/16	MWD Mission	CD#8
SDCWA 238	4/8/16	GWRS Purification System Home Page	CD#8
SDCWA 239	4/8/16	GWRS Purification Process	CD#8
SDCWA 240	4/8/16	GWRS FAQ	CD#8
SDCWA 241	4/7/16	Index of MWD IRP Documents	CD#9
SDCWA 242	4/7/16	MWD IRP Documents identified in Index	CD#9

MWD Board Chair Randy Record

I was furious to find out that our water here in San Diego is going to face such a steep rate increase and high charges for 2017 and 2018.

That shows no imagination to help us, the residents of San Diego!

Do you even recall the superior court ruling last year regarding your methodology?

I hope you will reconsider.

I wrote to you, but thousands of others are just as upset about this.

Both treated untreated and treated water are on the line here.

Constance Schwartz

12324 Lomica Drive, San Diego.

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,

John and Diane Bickmore

We own the property at: 999 N. Pacific St. , G202, Oceanside, CA.
92054-2085



200 E. Washington Ave., Suite 200
Escondido, CA 92025

P. 760.741.3570
F. 760.741.1786

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PLANNING • ENGINEERING • SURVEYING

Mr. Randy Record, Chair,
Members of the Board of Directors
METROPOLITAN WATER DISTRICT
P.O. Box 54153
Los Angeles, CA 90054-0153

SUBJECT: COMMENT LETTER- PROPOSED RATES AND CHARGES FOR 2017 AND 2018- OPPOSE

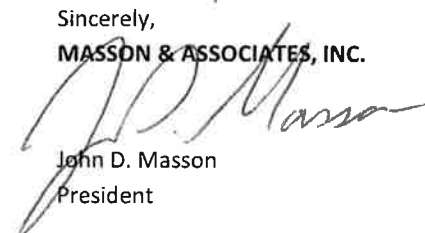
Dear Chair Record:

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

- 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's a "trade secret." MWD is a public agency subject to Prop 218 which essentially mandates the connection of fees and rates to services provided.
- The rate payers and taxpayers deserve transparency.
- 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,
MASSON & ASSOCIATES, INC.


John D. Masson
President

Solved.

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,



Robert Pennoyer
1924 Altozano Dr
El Cajon, CA 92020



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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Sincerely,

Bharat Bhakta
Natha Assoc. Inc.
1403 Rosecrans Street
San Diego, CA 92106

1403 Rosecrans Street * San Diego, CA 92106 * Phone (619) 225-9461 * Fax (619) 225-1163 *
E-mail: Ramada7628@hotmail.com

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

Randy Record, Chair,
and Members of the Board of Directors
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P.O. Box 54153
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Sincerely,

Charles Anderson
1706 S Coast HWY
Oceanside CA. 92054

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

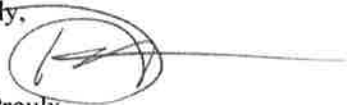
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Sincerely,



Diane Proulx
3010 Greenwich Street
Carlsbad, CA 92010
760-845-1851

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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As a customer and a San Diego County Citizen, I respectfully demand 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,



David Radel
18394 Via Ambiente
PO Box 956
Rancho Santa Fe CA 92067

DRAFT LETTER

To: dchin@mwdh2o.com

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

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and Members of the Board of Directors
Metropolitan Water District
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Los Angeles, CA 90054-0153

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Sincerely,



Mr. Vahe Guzelimian
PO Box 1049
Rcho Santa Fe, CA 92067-1049

Name
Address

To: dchin@mwdh2o.com

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and Members of the Board of Directors
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Sincerely,



Jim Matheson
12376 Carmel Country Road, Unit 301, San Diego, CA 92130