



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the Board of Directors

March 22, 2023

Mr. Keene Simonds, Executive Officer
Local Agency Formation Commission – San Diego County
2550 5th Avenue, Suite 725
San Diego, CA 92103

Dear Mr. Simonds:

I read with interest LAFCO-San Diego's staff report to the Special District and Cities Advisory Committee on March 17, 2023, about the potential detachment of two member agencies (Rainbow Water District and Fallbrook Water District) of the San Diego County Water Authority, a member agency of the Metropolitan Water District of Southern California (Metropolitan), and their request to join another Metropolitan member agency in Riverside County. The staff report cites an outdated letter by Metropolitan's previous general manager and fails to consider recently experienced extreme shortage conditions on our State Water Project supplies during 2022 and potential coming shortages of our Colorado River Supplies in 2024, that are being weighed by Metropolitan's board.

Metropolitan's previous General Manager submitted comments in 2020 attesting to Metropolitan's neutrality in the outcome of LAFCO's deliberations in San Diego County about the potential detachments proposed because of "de minimis" impact on supplies. This matter was never brought before Metropolitan's Board of Directors for discussion in 2020, and I would like to note that much has transpired since then that makes any additional demands on our State Water Project supplies significant as reflected in current deliberations by Metropolitan's board and a recently initiated Climate adaptation planning process.

For example, Metropolitan's board is currently discussing with great seriousness potential additional demands by the Rubidoux Community Services District, a disadvantaged community in Riverside County for 2,000 acre-feet of State Water Project supplies from Metropolitan.

Given Metropolitan's recently started Climate Adaptation Master Planning process the issue of detachments and boundary changes, a precedent by San Diego LAFCO could undermine the financial viability of future regional water supply adaptation measures in a race to the bottom for cheaper water rates.

San Diego County is not the only county where the issue of detachment has been contemplated as a means for local water suppliers to obtain less expensive imported water supplies for discreet communities. A 2021 UCLA Study by the Luskin Center for Innovation cited the highest domestic rates for water in an impoverished area of the Central Basin Municipal Water District (Central Basin) served by the Golden State Water Company (Golden State) in Los Angeles County. Golden State's rate case to the Public Utilities Commission is based upon the purchase of more expensive imported water from the adjacent West Basin Municipal Water District (West Basin). The reason for the rate differential is that West Basin carries the cost of innovative water recycling and conservation programs on its volumetric rates. Such programs are subsidized by Metropolitan through our Local Projects Resources Program. Some considered the idea of

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shifting the boundary of Golden State's Service area from West Basin and all into Central Basin to secure lower rates for low-income residents.

The implications of such a shift in boundaries would deny one agency a sale of water that has been pledged in financial covenants for the payment of bonds for water projects that have already been constructed. Water projects are deemed economically feasible when a supplier has the financial integrity partly based on water sales to repay any public debt. To justify such projects, benefits are accorded to all who reside within the water suppliers' boundaries at the time that the debt is undertaken, often by off-setting demands on a scarce source of water through the efficiencies or alternative supplies achieved by the new project.

The debate about supply and rate equity and affordability after projects have been constructed seems to be getting confused with individual affordability among different classes of users as has been often cited in the case in San Diego as well as in Los Angeles County.

If permitted by LAFCO in San Diego County, the implications of its decision would be relevant to Metropolitan's current master planning process. Efforts towards climate adaptation through investments in long-term water supply planning could become trapped in the immediate issues of affordability that could otherwise be addressed over the long-term. This would occur as communities chase after the lesser rates among adjacent Metropolitan Member Agencies in a potential race to the bottom compromising past investments. Unlike the example cited in Los Angeles County, what makes the San Diego case dynamic and even more complex is that it includes Metropolitan member agencies across two counties, served by a common connection.

Some of the potential means for addressing water affordability by different classes of users include low-income rate assistance programs; discount incentives and credits for efficiencies accomplished by various types of industries including agriculture; discount programs for surplus water supplies in the years when they are available. In the San Gabriel Valley in Los Angeles County, for example, suppliers have a water resource development assessment (RDA) where suppliers pay in advance to purchase available surplus imported water for storage and use during droughts. This helps to maintain rate stability when supplies become scarce in future years and imported water rates increase. These types of considerations are possible under the current planning environment.

I enjoyed our meeting in January. I hope that you will follow Metropolitan's climate adaptation planning process as you update your staff reports to reflect current hydrological circumstances and regional planning efforts. We would welcome your experience and insight acquired through your statewide experience. Please feel free to contact me if you have any questions.

Sincerely yours,



Adán Ortega, Jr.
Chair of the Board

cc: Heather Repenning, MWD Board Vice Chair, Climate Action
Gail Goldberg, MWD Board Vice Chair, Finance and Planning
Adel Hagekhalil, General Manager