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May 22, 2023

San Diego Local Agency Formation Commission
Chair Jim Desmond
2550 5th Avenue, Suite 725
San Diego, CA 92103

Via email: priscilla.mumpower@sdcounty.ca.gov

Subject: *Comment Letter from Olivenhain Municipal Water District on the Proposed “Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services” for the June 5th Public Hearing*

Dear Chair and Commissioners,

On behalf of Olivenhain Municipal Water District (OMWD), I am writing to express our agency’s support for Option Three in the agenda report for the Proposed “Rainbow Municipal Water District (RMWD) and Fallbrook Public Utility (FPUD) District Reorganizations: Wholesale Water Services”, which is to administratively hold consideration of the reorganization proposals until the San Diego Local Agency Formation Commission (SDLAFCO) completes the currently scheduled municipal service review (MSR) covering the San Diego County Water Authority (SDCWA).

Specifically, OMWD opposes any action by SDLAFCO that would increase its costs in either the near or far term. While detachment can be mitigated in the near term with an exit fee, the long-term consequence of detachment when combined with the impending member agency roll-offs are of great concern. Consequently, an administrative hold (and deep dive into these cumulative issues) is the most prudent path forward for the entire region.

Option Three allows for a comprehensive analysis into the unknowns of the long-term ratepayer impacts, not just of detachment, but also roll-offs. By way of example, the projected annual potable reuse roll-off in the region is anticipated to be 50,000 acre-feet by 2029 and does not include the future Encina One Water project, recycled water development, or brackish groundwater development in the region. The projected loss of sales from the detachment of both agencies is approximately 22,000 acre feet. The detachment of RMWD and FPUD should not be examined independently of all the other impending roll-offs. The combined financial




impact of detachments and roll-offs should be analyzed collectively, as they both result in a reduced demand on SDCWA that currently has fixed take-or-pay supplies that may soon exceed the demand of the region. The true elephant in the room is that, unless SDCWA leverages its fixed take-or-pay supplies, it will have more fixed take-or-pay supplies than it will have demand in the next ten years if its member agencies fully develop all of their planned local supply projects. Detachment would further exacerbate this problem. SDCWA water sales have declined from a peak of 670,000 acre-feet per year in 2007 to projected water sales in 2024 of only 362,000 acre-feet. This is before any roll-offs reduce water sales further.

Option Three would allow the comprehensive review of SDCWA with respect to current and planned service levels, community needs, and financial standing before taking any potential actions on the detachments.

Of note, the OMWD Board of Directors considered and discussed its position at its May 2023 Board Meeting and believes that Option Three is the best path forward for the entire region. However, if the SDLAFCO commissioners do not ultimately support Option Three at the June 5th hearing, OMWD's default position would be Option Four, which would be to disapprove the proposals without prejudice.

Thank you for the opportunity to comment on the record with OMWD's position on this matter.

Sincerely,

A handwritten signature in black ink that reads "Kimberly A. Thorner". The signature is written in a cursive, flowing style.

Kimberly A. Thorner, Esq.
General Manager

cc: OMWD Board of Directors