



February 27, 2020

**VIA U.S. MAIL AND E-MAIL**

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

Marcia Scully, Esq.  
General Counsel  
Metropolitan Water District of Southern California  
700 North Alameda Street  
Los Angeles, CA 90012-2944

Re: Water Authority Rate Litigation With MWD

Dear Ms. Scully:

This letter is to inform you of an important decision made today by the San Diego County Water Authority (“Water Authority”) Board of Directors in regards to the Metropolitan Water District of Southern California (“MWD”) rate litigation with the Water Authority.

As you know, the Water Authority and MWD recently made settlement offers to the other that neither agency accepted (MWD’s offer expired December 31, 2019, and the Water Authority’s offer expired January 31, 2020). While the settlement process was ongoing, the MWD Board approved three LRP agreements for our member agencies—City of San Diego, Oceanside, and Fallbrook—totaling more than \$350 million, with the last and largest contract approved in December. In January, MWD confirmed that it would not impose demand management charges for 2021-22, and, that the 2018-19 Water Stewardship Rate “suspension” on our Exchange Agreement would be permanent as to those years. Our February Board meeting was the first time that our Board had an opportunity to consider all of these facts and developments.

Based on these developments, our Board has made the decision to eliminate, without prejudice, all of our pending claims related to the imposition of the Water Stewardship Rate on MWD supply. I wanted to advise you of this decision as soon as possible, because it means that the Water Authority will not be trying the restitution issue this summer (as that is a claim that sought recovery of certain Water Stewardship Rate payments on our MWD supply purchases).

We will also be dismissing without prejudice certain other unquantified claims in some of the stayed cases, but those details can await the lifting of the stays and amendment of those complaints as appropriate by our outside counsel. I look forward to discussing these details with you at your convenience.

This will not fully end all litigation between the agencies, but will be a major step toward that objective. For example, we will continue to seek contract damages for rate years 2011-17 associated with the imposition of the WSR on the Exchange Agreement, and we will

Marcia Scully, Esq.  
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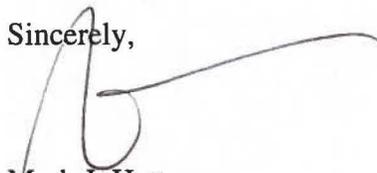
continue to seek credit for the offsetting benefits the Water Authority provided to MWD through its acquisition of Exchange Agreement water.

As the next step, we will work with MWD and the Court to proceed to entry of an appropriate validation judgment/writ in the 2010-2012 cases in accord with what the Court has already decided. At the same time, we will ask the Court to lift the stays to get the other cases processed and concluded as soon as possible.

Instructions have been given to our litigation counsel to formally notify the Court of these developments, and to contact MWD's outside counsel to start the process to effectuate the above decision by our Board.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to be 'Mark J. Hattam', with a long horizontal flourish extending to the right.

Mark J. Hattam  
General Counsel

Cc: Water Authority Board of Directors (via e-mail)  
MWD Board of Directors (via e-mail)  
Sandra Kerl (via e-mail)  
Jeffrey Kightlinger (via e-mail)  
Dan Denham (via e-mail)  
Water Authority General Managers (via e-mail)