November 17, 2020

Rolando Charvel, Chief Financial Officer
Matthew Vespi, Department of Finance Director and City Comptroller
202 C Street, MS-9A
San Diego, CA 92101

Dear Messrs. Charvel and Vespi,

Chair Croucher asked me to thank you and respond to your November 16 letter regarding the Regional Conveyance System (RCS) feasibility study, on the Water Authority Board’s November 19 meeting agenda for approval of the Phase B economic analysis.

At the outset, we want to congratulate you and share the City’s excitement in breaking ground on the Pure Water Program. We also want to assure you that Pure Water is factored into the Water Authority’s long term water supply and financing plans. We appreciate your sensitivity to affordability, which is precisely why we are conducting this feasibility study and why Phase B will include a fully transparent comparative cost and reliability analysis of available supplies and long term planning alternatives.

Implementation of Pure Water does not change the fact that the RCS might very well be economically viable if the conveyance cost of IID transfer and canal lining water with the RCS is less than the cost of conveying that water through a continued exchange agreement with Metropolitan. This is the central issue before the Board of Directors at this point in time, for long-term planning purposes. Regional partnerships and public and private funding sources would also be identified in Phase B and could provide substantial benefits to all San Diego County ratepayers, including those who live and work in the City of San Diego.

Based on current analysis in the 2020 Urban Water Management Plan (UWMP), there will continue to be demand for the Water Authority’s IID transfer water and canal lining water—in fact, the current estimate is that about 100,000 AF annually would be purchased from Metropolitan in 2050. This 100,000 AF number has been calculated in accordance with UWMP requirements and will be reduced to about 40,000 AF annually upon implementation of City’s Pure Water Phase Two. The IID transfer and canal lining water is the region’s most reliable and low cost base water supply. Finding a lower cost method of transportation would provide all of San Diego County, including City of San Diego ratepayers, long-term benefits completely separate and apart from the water supply derived from the Pure Water Program.

In summary, we are in the initial phases of a feasibility study of long term planning and funding alternatives in which there is no presumption about the City’s share of RCS costs. If the RCS proves economically viable—relative to conveying water through a MWD...
exchange agreement—City ratepayers would pay less for their melded water supply which will also include the City’s cost for the Pure Water Program.

Again, we very much appreciate your feedback and November 16 letter. Please do not hesitate to contact me if you have any further questions.

Sincerely,

Sandra Kerl

cc: Water Authority Board of Directors
Honorable Mayor Kevin L. Faulconer
Honorable Council President Georgette Gomez
Honorable Members of the San Diego City Council
Aimee Faucett, Interim Chief Operating Officer, City of San Diego
Andrea Tevlin, Independent Budget Analyst, City of San Diego
Johnnie Perkins, Deputy Chief Operating Officer, Public Utilities
Shauna Lorance, Director, Public Utilities Department