



**San Diego County
Water Authority**
Our Region's Trusted
Water Leader

MWD Rate Case Litigation



DIVERSIFICATION

**Enhancing Water
Supply Reliability**

Thirty years ago, following severe cutbacks from the Metropolitan Water District of Southern California, the Water Authority and its member agencies began improving the San Diego region's water supply reliability by diversifying its water supply sources. At the time, MWD supplied about 95 percent of all the water used in San Diego County.

The cornerstone of San Diego County's diversification strategy is a set of agreements signed in 2003 to secure independent water supplies from the Colorado River. The Water Authority pays MWD to transport these supplies to San Diego County, because MWD owns the only large-scale conveyance facilities in Southern California for transporting Colorado River water.

Fundamentally, the rate case litigation is about how much MWD can legally charge to move that water – for instance, whether MWD must abide by the cost-of-service requirements in state law.

The Water Authority filed suit in 2010 seeking to invalidate MWD's rates for this transportation service, and then filed additional lawsuits in 2012, 2014, 2016 and 2018 because MWD continued

using the same flawed methodology and cost allocations. Some of these later suits also asserted cost-of-service issues on the Water Authority's supply purchases from MWD.

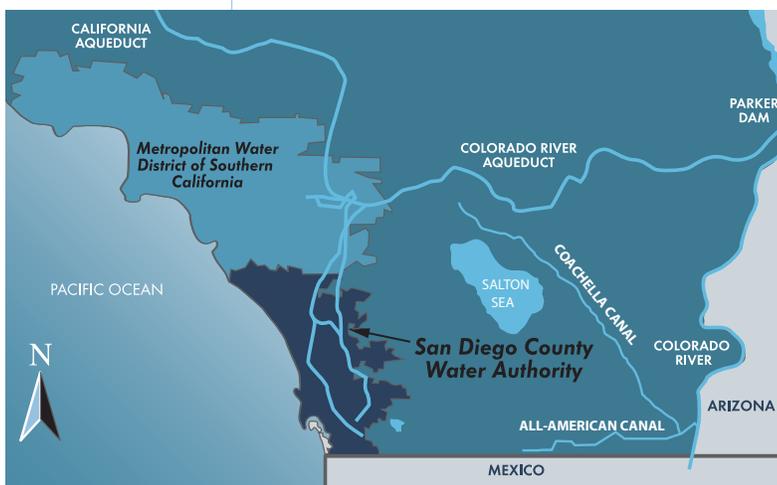
In early 2020, following some significant changes by MWD, the Water Authority's Board of Directors voted to dismiss certain legal claims against MWD – a major step toward resolving the litigation while protecting the interests of San Diego County ratepayers.

The Water Authority remains committed to work with MWD on important issues, including planned updates to MWD's long-range water resource and financing plans, as well as advancing other policies and programs to promote long-term water supply reliability and fiscal sustainability for San Diego County and the rest of Southern California.

Legal victories benefit region

The litigation produced significant benefits for water ratepayers across the San Diego region.

- The court ordered MWD to increase the Water Authority's right to MWD water by approximately 100,000 acre-feet a year, equivalent to about twice the annual production of the \$1 billion Carlsbad Desalination Project. MWD has complied with this ruling and adjusted its records.
- Using the cost-of-service requirements law, the court also determined that MWD must repay the Water Authority for illegal charges MWD imposed on delivery of the Water Authority's water under the Exchange Agreement. This ruling is expected to ultimately result in recovery of about \$80 million. In addition, San Diego ratepayers have avoided paying more than \$80 million from 2018-2022 (MWD did not collect these charges), for



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The San Diego County Water Authority sustains a \$245 billion regional economy and the quality of life for 3.3 million residents through a multi-decade water supply diversification plan, major infrastructure investments and forward-thinking policies that promote fiscal and environmental responsibility. A public agency created in 1944, the Water Authority delivers wholesale water supplies to 24 retail water providers, including cities, special districts and a military base.

a total recovery on this claim of more than \$160 million. The improper charges on the Exchange Agreement would have cost local residents more than \$500 million over the life of the Water Authority's water delivery contract.

■ The court ruled that MWD had illegally barred the Water Authority from receiving money from MWD's local water supply program, even though the Water Authority was forced to pay for the program. MWD lifted the ban in response to the court's order, and in late 2019 approved funding for three water supply projects in San Diego County:

- \$285.6 million for the City of San Diego's Pure Water Project
- \$23.6 million for the Fallbrook Groundwater Desalter Project
- \$42.7 million for the City of Oceanside Pure Water & Recycled Water Expansion Phase I

What's happening now?

The Water Authority Board's vote to dismiss some claims in the litigation avoided the need for a trial in June 2020. With that out of the way, the Water Authority is seeking final judgment by the court in the cases that already have been tried.

Moving forward, the Water Authority is both working with MWD on its long-range plans and exploring other options for the cost-effective, long-term conveyance of the San Diego region's independent Colorado River water supplies.

For more information, including court documents, go to www.sdcwa.org/mwdrate-challenge. ■



Water conserved by the All-American and Coachella canal lining projects are an important part of the Water Authority's Colorado River water transfer supplies.



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