

# San Diego County Water Authority Issues Update

City of Chula Vista  
June 20, 2017

Maureen A. Stapleton, General Manager



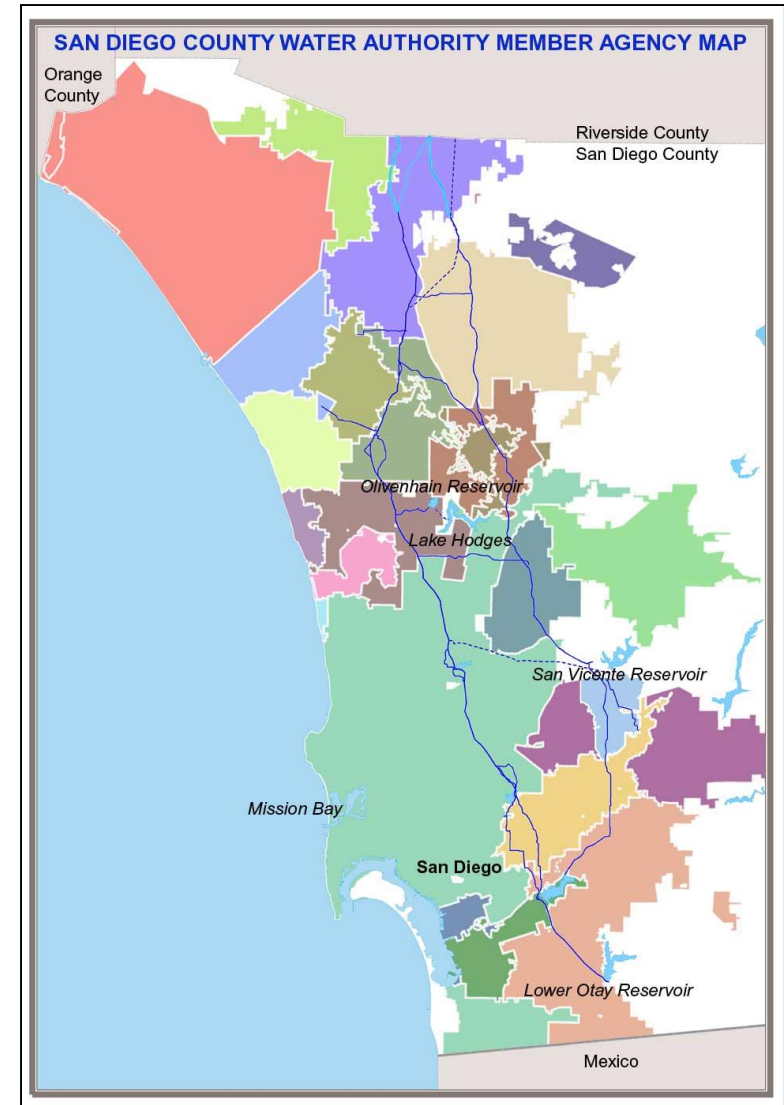
# San Diego County Water Authority

Wholesale water agency created by state Legislature in 1944

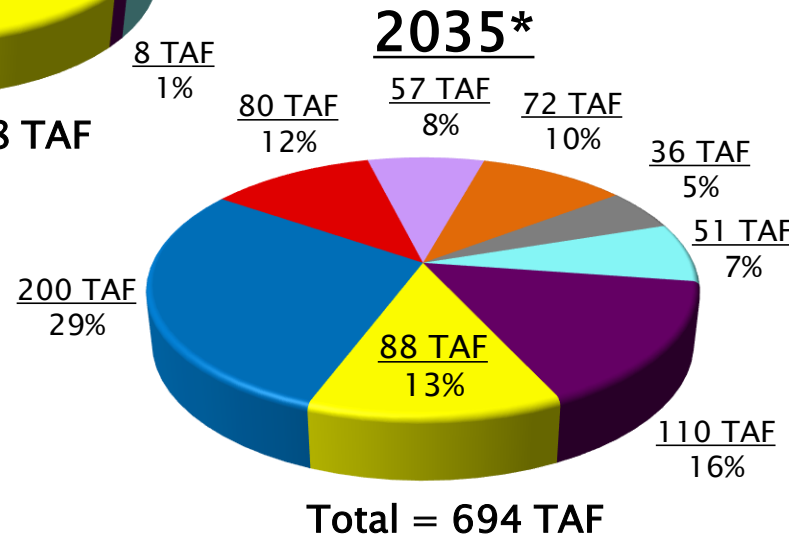
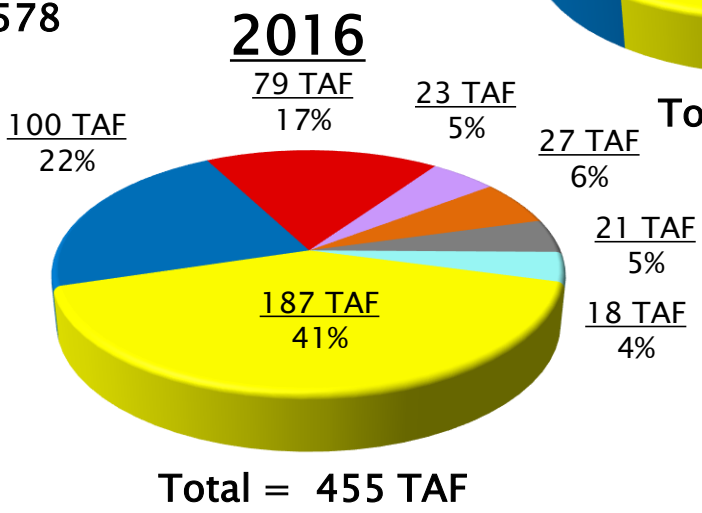
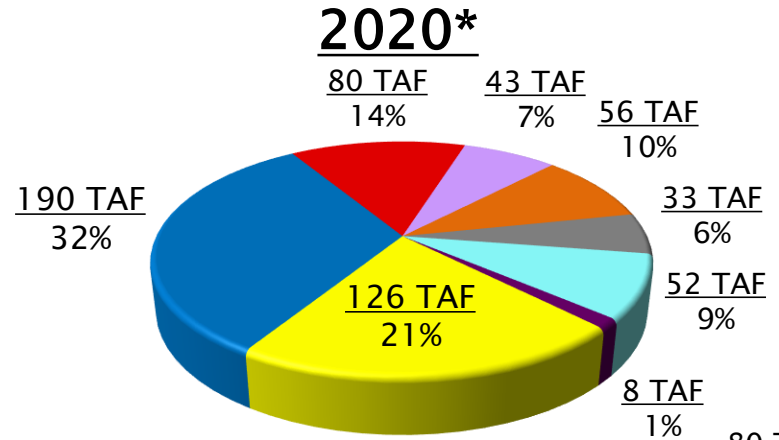
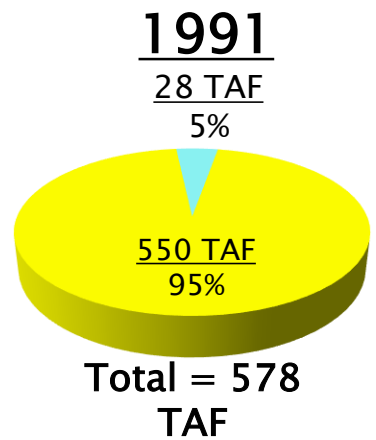
- ▶ Serves 3.3 million people and region's \$222 billion economy
- ▶ 24 member agencies (retailers)

Provides 80–90% of water used in San Diego County

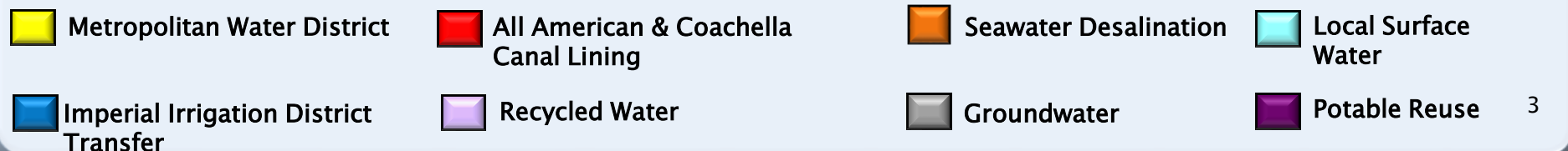
- ▶ Builds, owns, operates and maintains large-scale regional water infrastructure
- ▶ Largest ag-to-urban water conservation & transfer in U.S.
- ▶ Invested more than \$3 billion in facilities (desalination, pipelines, treatment and reservoirs) in the last 15 years



# Increasing San Diego County's Water Supply Reliability through Supply Diversification



(Region under State-Mandated Drought Restrictions)



\* Includes verifiable and additional planned local supply projects from 2015 UWMP (TAF=Thousand Acre-Feet)



# Historic Investments in Infrastructure

**San Vicente Dam Raise & Related Projects**  
\$816 million



**Twin Oaks Valley Water Treatment Plant**  
\$179 million



**Pipeline Relining**  
\$493 million



**Carlsbad Seawater Desalination Projects**  
\$1 billion



Plant Site

**Lake Hodges Projects**  
\$208 million



Pump House Detail

**Olivenhain Dam & Reservoir**  
\$198 million



**All-American & Coachella Canal Lining Projects**  
\$447 million  
(\$190 million from Water Authority)



# California Drought Update

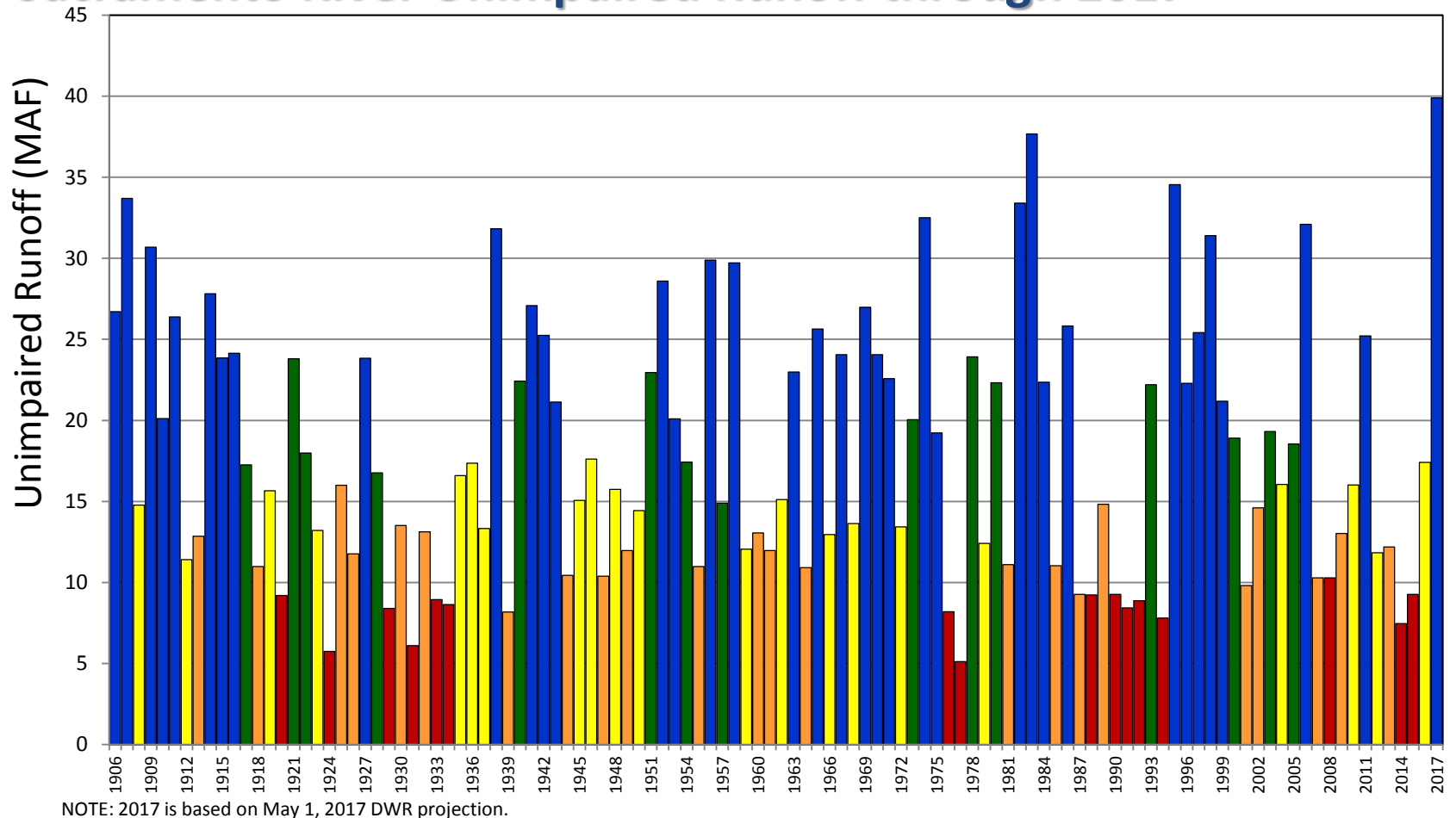


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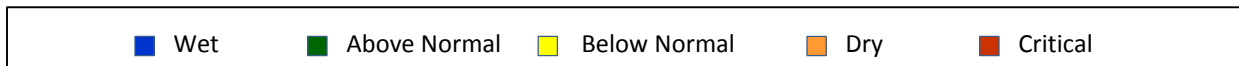


# Droughts are Common in California

## Sacramento River Unimpaired Runoff through 2017

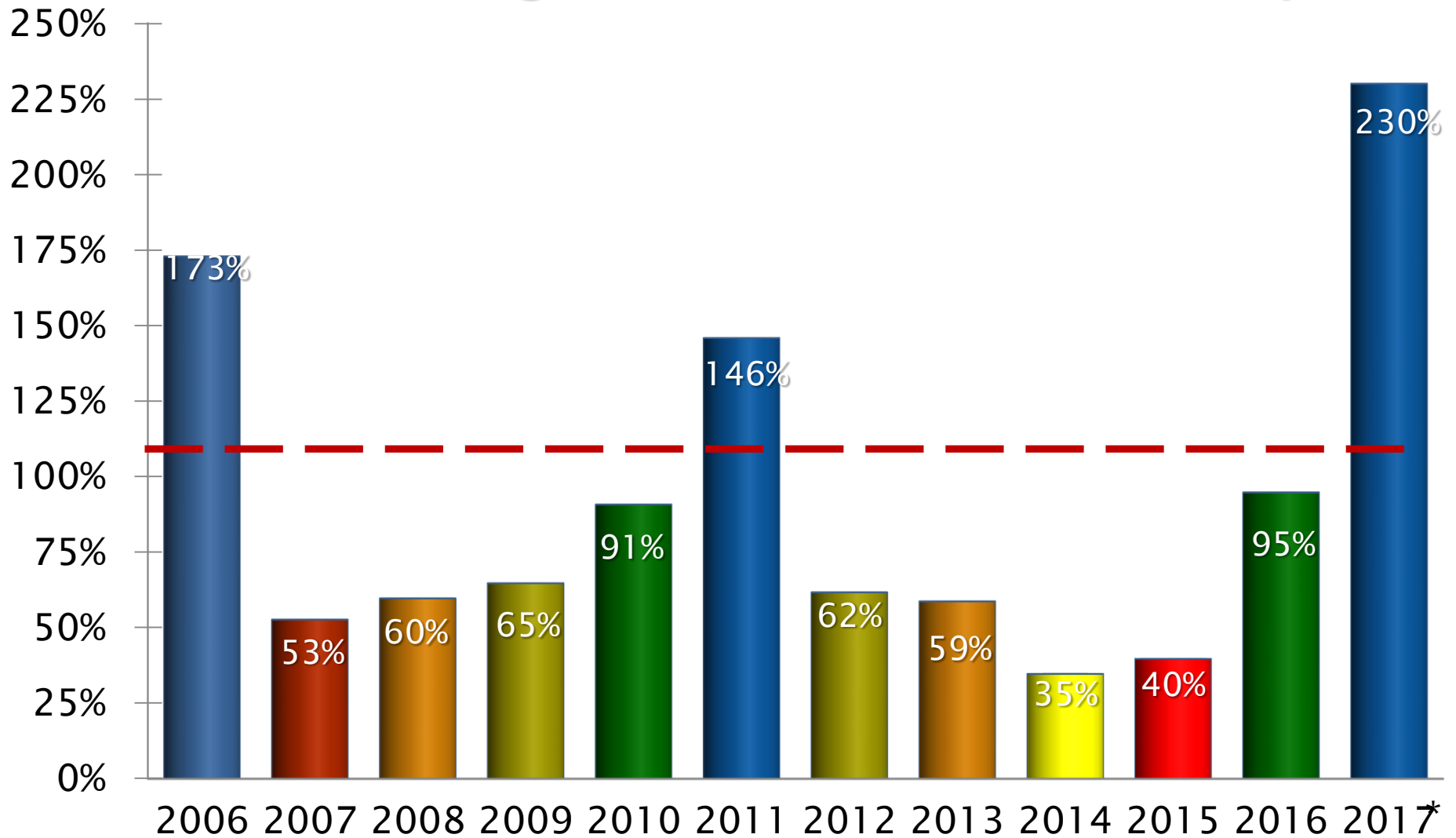


Sacramento River Runoff is the sum of Sacramento River flow at Bend Bridge, Feather River inflow to Lake Oroville, Yuba River flow at Smartville, and American River inflow to Folsom. Water Year 2016 is estimated by DWR.



# Statewide Water Year Runoff

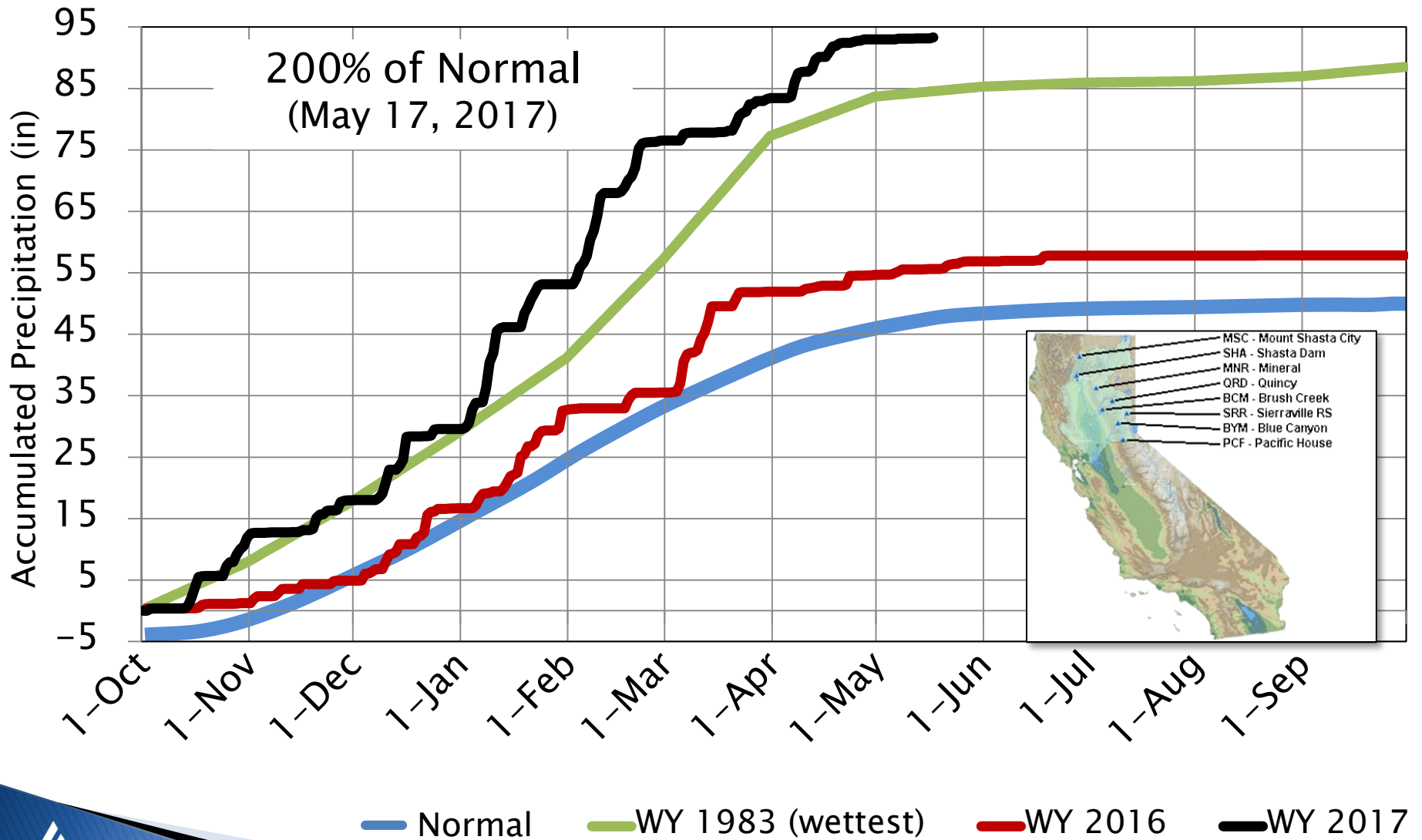
## Percent of Average (Water Year: Oct 1 – Sept 30)



Source: California Department of Water Resources  
\* Based on May 1, 2017 projection



# Northern Sierra Precipitation 8-Station Index

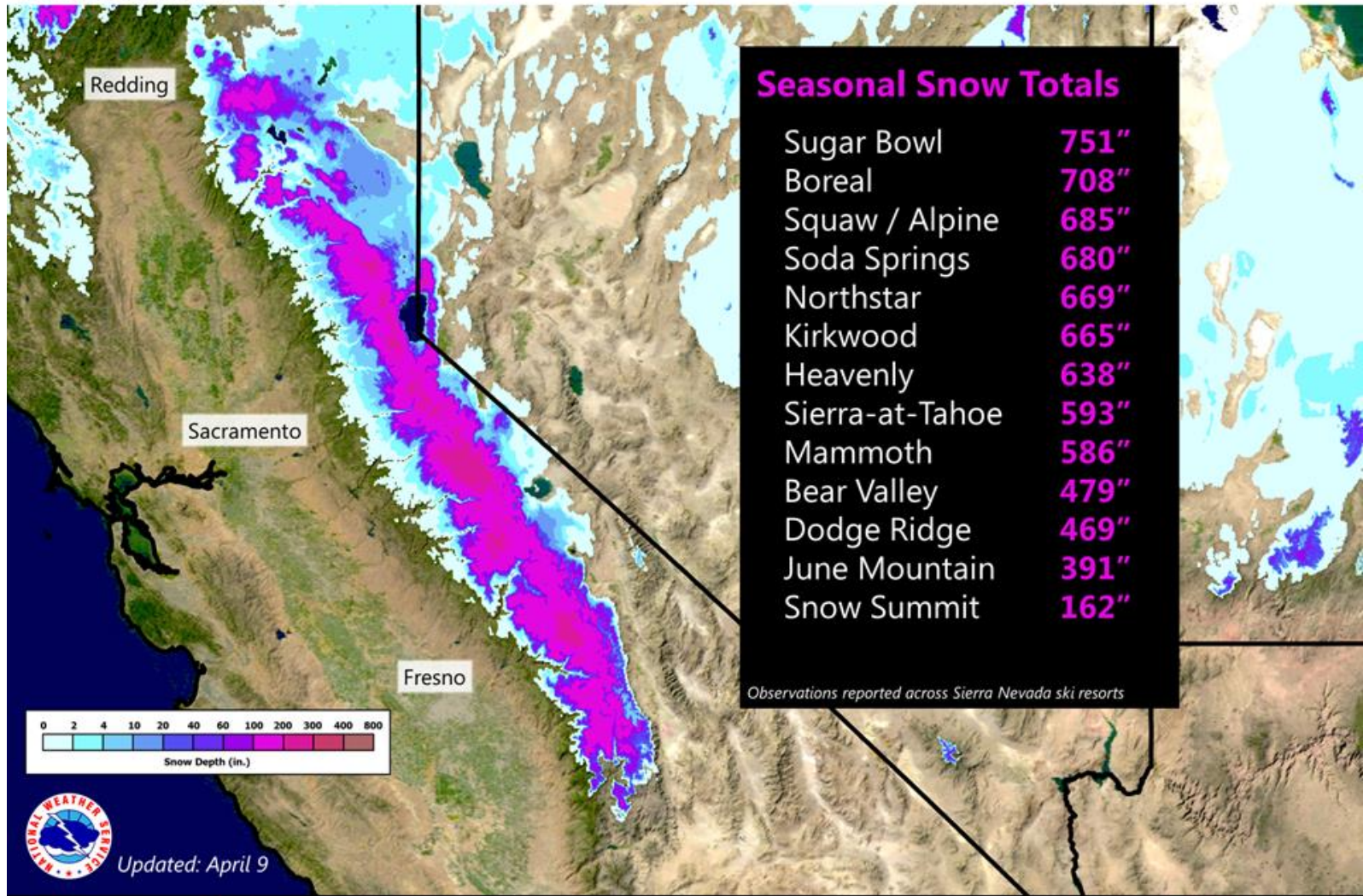


— Normal   
 — WY 1983 (wetterest)   
 — WY 2016   
 — WY 2017



# Incredible Snow Over The Sierra

Winter Season 2016-2017



Weather Forecast Office  
Sacramento, CA

4/9/2017 3:09 pm PDT

Follow Us:   

[weather.gov/Sacramento](http://weather.gov/Sacramento)



**BEFORE:**  
**Lake Oroville – January 21, 2016 (Bidwell Canyon Marina)**





**AFTER:**

**Lake Oroville – January 17, 2017 (Bidwell Canyon Marina)**





**BEFORE:**  
**Truckee River – January 2016**





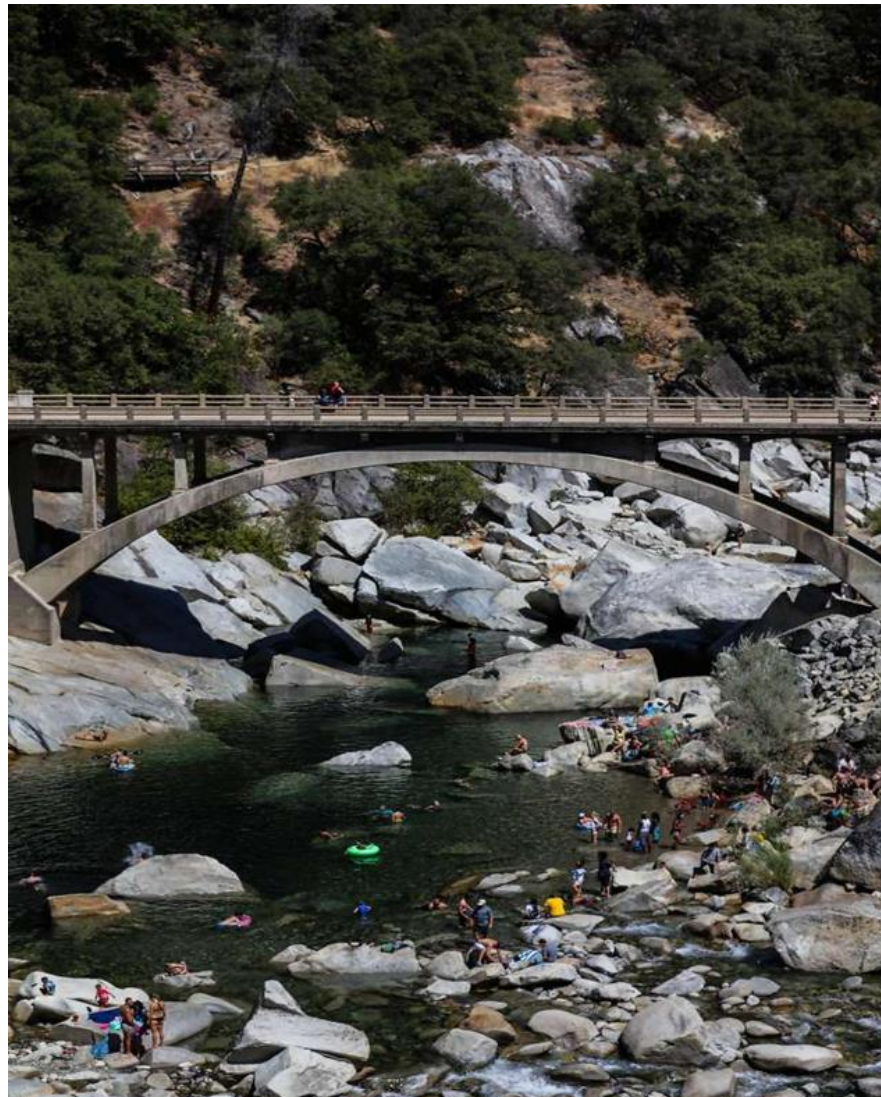
# AFTER: Truckee River – January 2017

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**BEFORE:**

**Yuba River, Old Route 49 Bridge - September 2016**



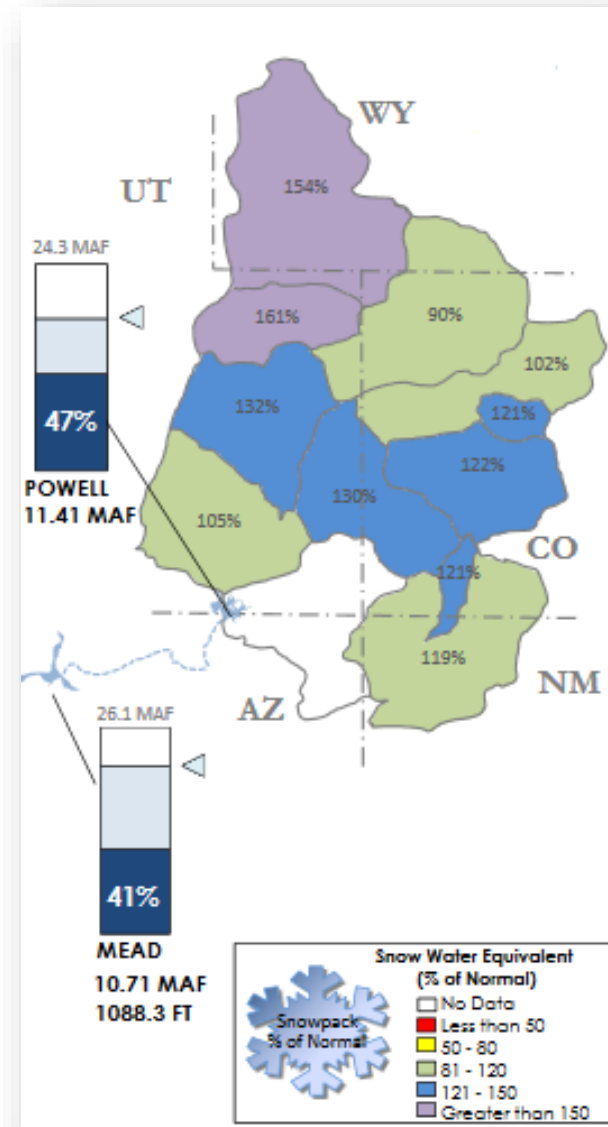


**AFTER:  
Yuba River, Old Route 49 Bridge – January 2017**



# Upper Colorado River Basin

- Precipitation 123 % of normal as of April 2, 2017
- Snow water equivalent 122% normal as of April 2, 2017





# Local Precipitation and Storage

Water Year 2017 Precipitation		
	Since October 1, 2016 (through May 16)	
Station	Actual	% Normal
Lindbergh Field	12.63 in.	126%
Ramona Airport	22.72 in.	148%

Since October 2016 storage levels have increased 37% or ~ 118 TAF

(due primarily to increased runoff from rainfall)



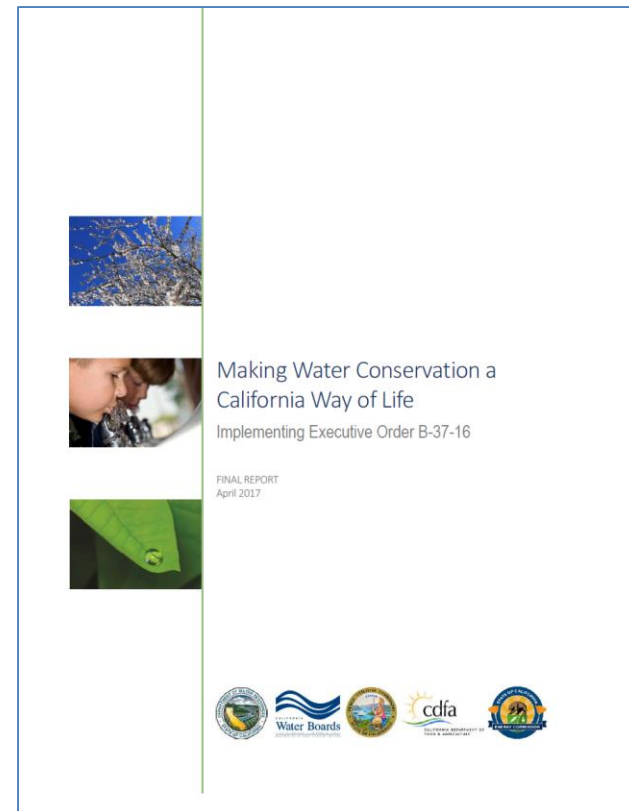
# Gov. Brown rescinds his January 2014 Drought State of Emergency

- Eliminates mandatory conservation cuts for all counties except four (Fresno, Kings, Tulare and Tuolumne)
- Eliminates the mandatory “stress test” for those agencies that have sufficient water supplies
- Maintains urban water use reporting requirements and the prohibition on wasteful practices
- Directs the implementation of the Water Use Efficiency Framework



# April 2017 State Framework New Water Use Target

- Governor's Framework addresses long-term water use efficiency
- Includes establishing new water use targets for water agencies based on efficiency standards
  - Indoor residential
    - Initially set at 55 gpcd
  - Outdoor Irrigation
    - Set at current Model Water Efficiency Landscape Ordinance requirements and applied to all landscape area
  - System water lost through leaks
- Performance measures for Commercial, Institutional and Industrial (CII) sector



# Water Authority Areas of Concern

## Final Framework – New Water Use Targets

- ▶ Setting standards must consider a balance between water use efficiency and supply development to ensure reliability
- ▶ State Water Board cannot have ability to unilaterally set and decrease standards
  - Revisions to targets must be through stakeholder process with legislative approval
- ▶ Requirements imposed on commercial, industrial and institutional sector cannot negatively impact economy
- ▶ Address unintended consequences of imposing new water use standards (e.g., impact to wastewater systems, quality of life and economy)





# MWD Issues: Rate Case



# MWD Litigation: What's at Stake for San Diego County?



- ▶ MWD overcharges estimated at more than \$537 million over 8 years; up to \$7.4 billion dollars over 45 years

- ▶ Water rights equivalent to \$1B seawater desal project in Carlsbad



# MWD's Rates Have Been Ruled Illegal and Unconstitutional

- ▶ Nov. 18, 2015: San Francisco Superior Court Judge Curtis E.A. Karnow ruled MWD's 2011–15 rates:
  - Violate California Constitution Article XIIC (Proposition 26)
  - Violate California Wheeling Statutes
    - Water transportation law
  - Government Code Section 54999.7(a)
    - Limiting rates to cost-of-service
  - Common law rules limiting rates to cost of service
- ▶ **MWD continues to set rates using same formula ruled illegal by the Court**



# Lower Court Decision in Favor of San Diego – Award: \$244M and Growing

- ▶ Damages for four years of overcharges, with interest, costs and attorneys' fees
- ▶ Interest accrues at 7% per year
- ▶ If upheld and enforced, decision will prevent future MWD overcharges
- ▶ Appeal filed
  - May 10, 2017 oral arguments
  - Decision expected in summer 2017



Hon. Curtis E.A. Karnow





# Key Questions to be Decided by Court of Appeal

	Issue	Question
1.	Validation and statute of limitations	Was Water Authority time-barred from challenging MWD's rates?
2.	Proposition 26	Is MWD exempt from Constitutional cost-of-service limitations of Prop. 26?
3.	State Water Project costs	Can MWD include State Water Project costs for wheeling on <u>its</u> own system?
4.	Water Stewardship Rate	Is it an illegal MWD tax?
5.	Preferential Rights to MWD water	Did MWD illegally under-calculate Water Authority's right to MWD water supply?
6.	2003 Exchange Agreement	Is it an illegal, unenforceable contract as MWD alleges?
7.	\$235 million judgment	Was the award to the Water Authority a "windfall" as MWD alleges?
8.	MWD's "Rate Structure Integrity" clause	Is it an illegal contract provision under California statute and Constitution and does the Water Authority have standing?



# What's at Stake for Water Authority's Member Agencies

Member Agency	<u>Four Years: 2011-2014</u>	<u>Eight Years: 2011-2018</u>
	Overcharge Net Allocable to Member Agencies <sup>(1)</sup>	Overcharge Net Allocable to Member Agencies <sup>(1)</sup>
Carlsbad M.W.D.	\$10,128,399.74	\$20,426,226
Del Mar, City of	644,181	1,307,820
Escondido, City of	10,392,151	21,415,356
Fallbrook P.U.D.	4,864,585	9,761,687
Helix W.D.	17,430,118	35,910,410
Lakeside W.D.	2,079,548	3,999,546
National City, City of	1,137,557	2,790,852
Oceanside, City of	14,058,034	28,513,173
Olivenhain M.W.D.	12,192,543	24,461,646
<b>Otay W.D.</b>	<b>18,925,110</b>	<b>38,124,478</b>
Padre Dam M.W.D.	\$6,648,857	\$13,187,178
Pendleton M.C.B.	29,619	120,455
Poway, City of	7,009,697	13,731,196
Rainbow M.W.D.	7,056,475	14,013,650
Ramona M.W.D.	3,082,086	6,108,185
Rincon Del Diablo M.W.D.	3,714,870	7,356,609
San Diego, City of	106,146,313	221,186,562
San Dieguito W.D.	2,277,933	5,099,947
Santa Fe I.D.	4,604,365	9,656,040
South Bay I.D.	3,979,451	10,209,210
Vallecitos W.D.	9,383,579	18,740,595
Valley Center M.W.D.	5,549,657	10,870,961
Vista I.D.	9,522,410	19,735,330
Yuima M.W.D.	194,070	654,624
<b>Totals</b>	<b>\$261,051,606.60</b>	<b>\$537,381,736</b>

<sup>1</sup> Includes pre- and post-judgment interest, attorney fees and court costs.

# Annual Savings Value of Rate Case Victory

## Result of Lawful Rates at MWD Going Forward

Estimated Annual Savings in 2020 Based upon Proportional Share of Municipal & Industrial Deliveries:

**\$81,291,763**

2020 value is \$197 per acre-foot, computed based upon average member agency purchases 2011-16

Member Agency	Estimated Annual Savings Value from Rate Litigation Victory
Carlsbad M.W.D.	\$3,097,088
Del Mar, City of	199,266
Escondido, City of	3,202,873
Fallbrook P.U.D.	1,484,586
Helix W.D.	5,359,825
Lakeside W.D.	605,093
National City, City of	428,914
Oceanside, City of	4,328,319
Olivenhain M.W.D.	3,702,413
<b>Otay W.D.</b>	<b>5,781,550</b>
Padre Dam M.W.D.	\$2,000,878
Pendleton M.C.B.	19,013
Poway, City of	2,069,598
Rainbow M.W.D.	2,137,211
Ramona M.W.D.	922,408
Rincon Del Diablo M.W.D.	1,111,428
San Diego, City of	33,506,994
San Dieguito W.D.	758,331
Santa Fe I.D.	1,433,159
South Bay I.D.	1,583,249
Vallecitos W.D.	2,842,005
Valley Center M.W.D.	1,651,787
Vista I.D.	2,966,823
Yuima M.W.D.	98,951
<b>Totals</b>	<b>\$81,291,763</b>

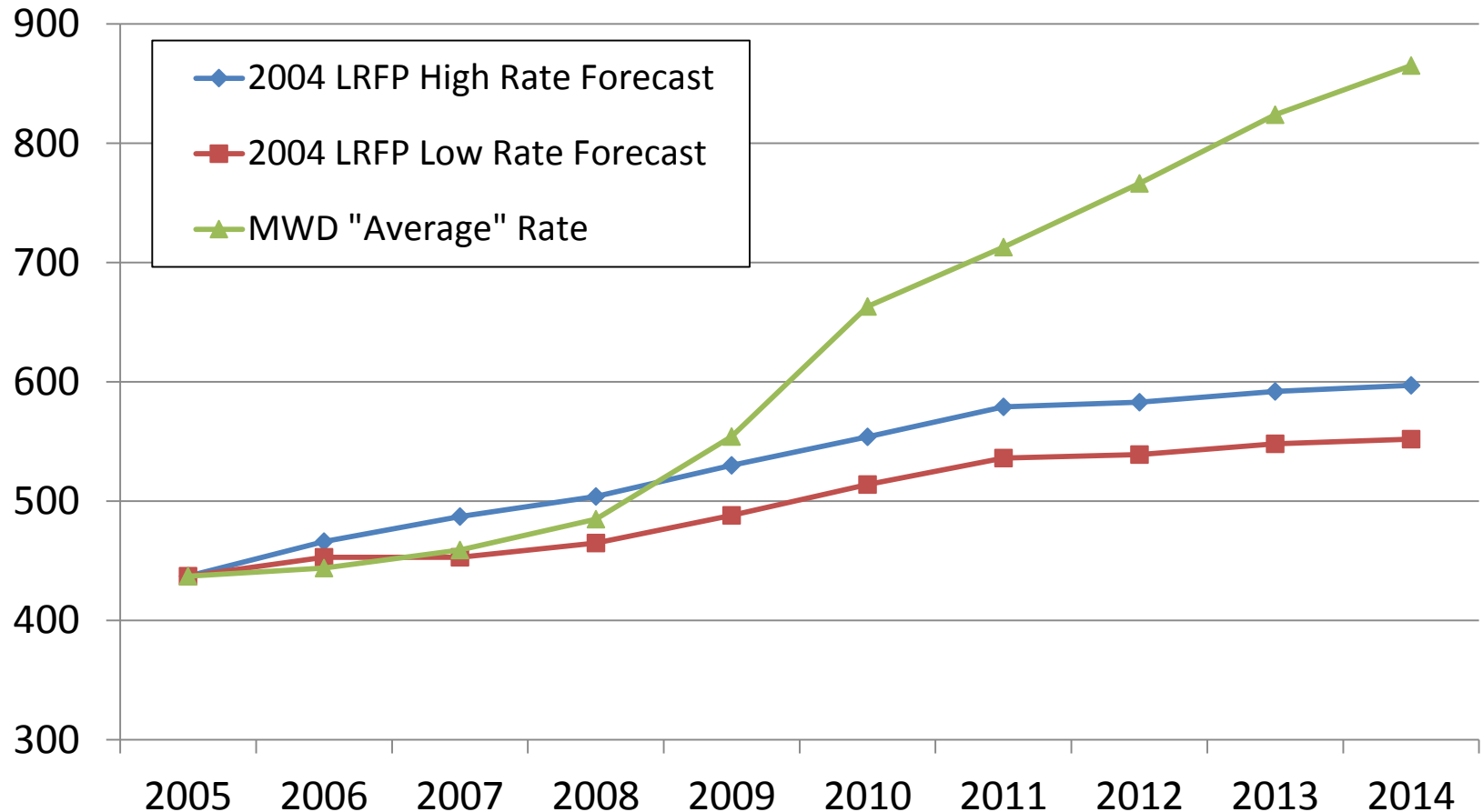


# Financial Practices of MWD and the Risk to Southern California Ratepayers





# MWD's Last Long-Range Financial Plan was 2004



Data Source: MWD



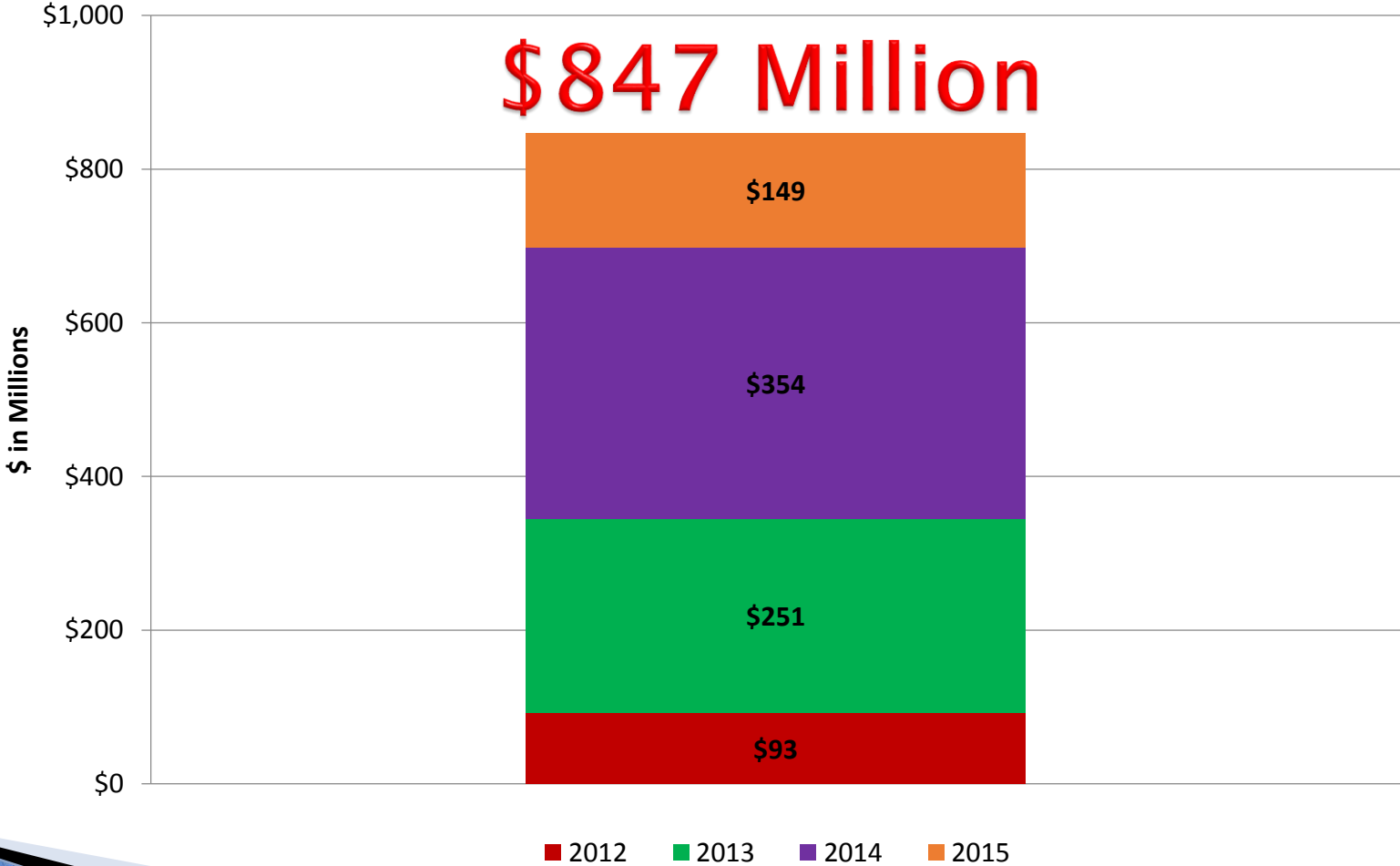
# MWD Has Doubled Rates Over Past Decade

	MWD Tier 1 Treated Water Rate	
Year	\$	% Increase
2008	\$508	6.3
2009	\$579	14.0
2010	\$701	21.1
2011	\$744	6.1
2012	\$794	6.7
2013	\$847	6.7
2014	\$890	5.1
2015	\$923	3.7
2016	\$942	2.1
2017	\$979	3.9
2018	\$1,015	3.7
<b>Total % Increase</b>	<b>100%</b>	
<b>Compounded Annual Rate Increases</b>		<b>7.2%</b>

Data Source: MWD



# MWD Overcharged Ratepayers by \$847 Million (2012-15)





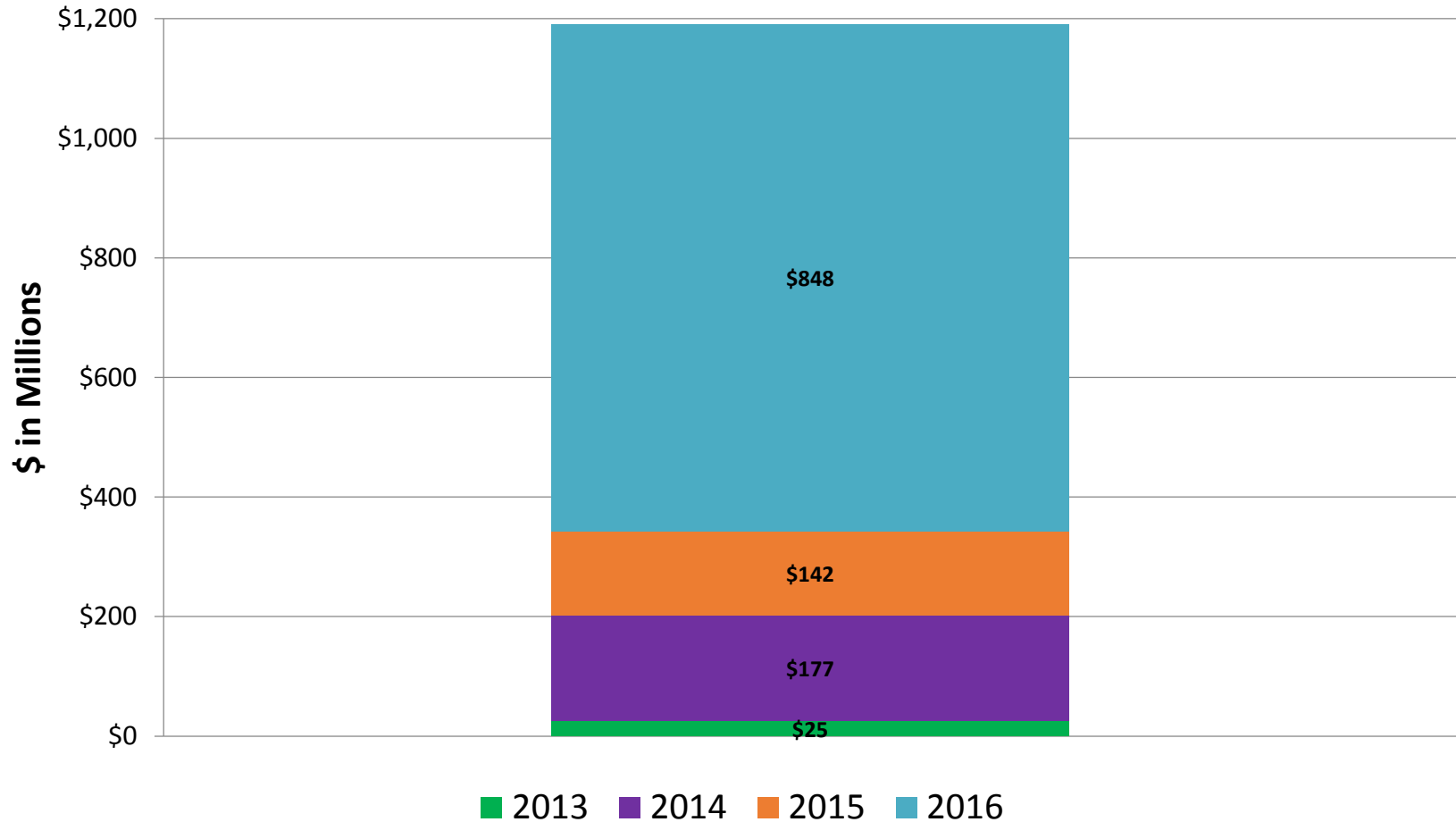
# MWD's \$189 Million in Ratepayer Overcharges by Water Authority Member Agencies

Member Agency	Cost to Member Agencies <sup>(1)</sup>
Carlsbad M.W.D.	\$ 7,332,089
Del Mar, City of	466,331
Escondido, City of	7,523,022
Fallbrook P.U.D.	3,521,540
Helix W.D.	12,617,903
Lakeside W.D.	1,505,413
National City, City of	823,493
Oceanside, City of	10,176,806
Olivenhain M.W.D.	8,826,351
<b>Otay W.D.</b>	<b>13,700,149</b>
Padre Dam M.W.D.	4,813,200
Pendleton M.C.B.	21,442
Poway, City of	5,074,416
Rainbow M.W.D.	5,108,280
Ramona M.W.D.	2,231,165
Rincon Del Diablo M.W.D.	2,689,245
San Diego, City of	76,840,785
San Dieguito W.D.	1,649,028
Santa Fe I.D.	3,333,163
South Bay I.D.	2,880,780
Vallecitos W.D.	6,792,902
Valley Center M.W.D.	4,017,474
Vista I.D.	6,893,404
Yuima M.W.D.	140,490
<b>Our Region's Total</b>	<b>\$ 188,978,871</b>

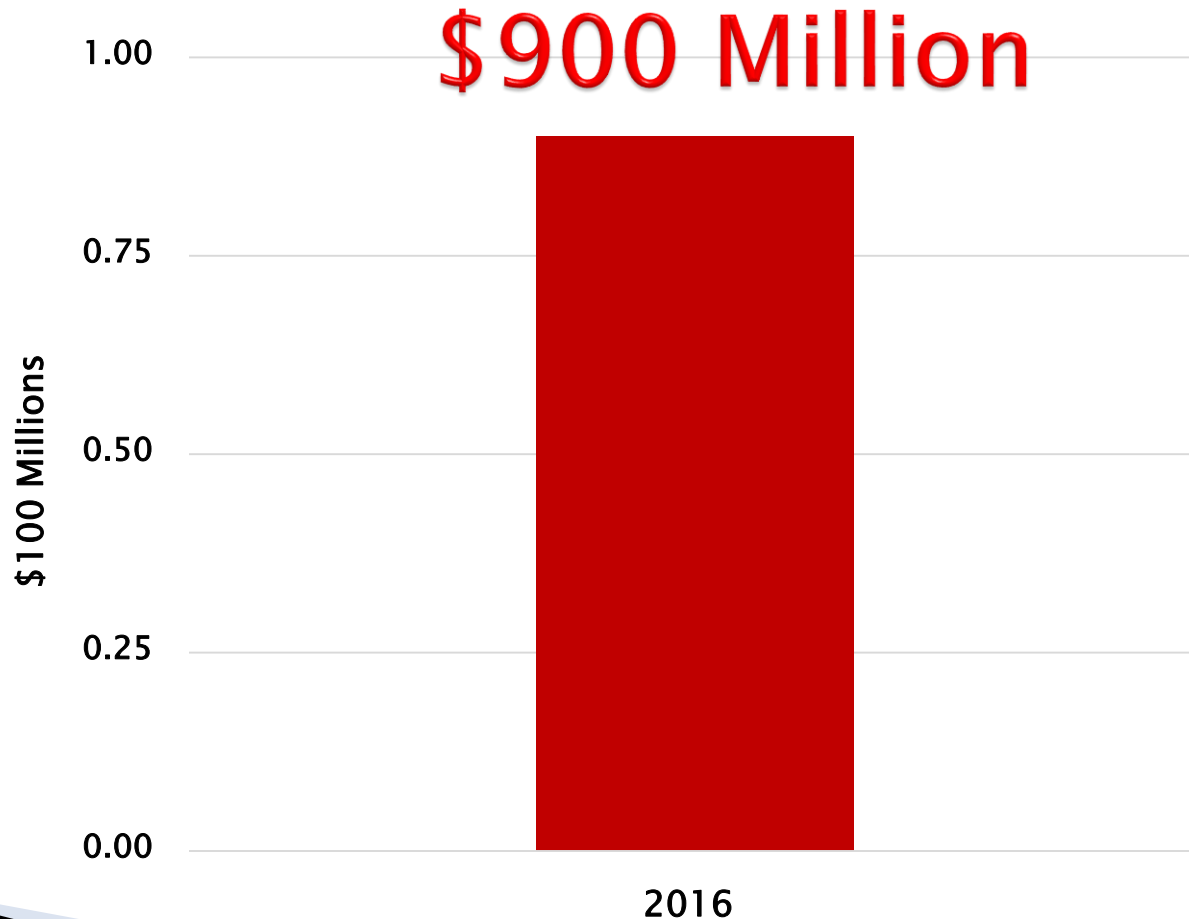
<sup>(1)</sup> Allocation based on average of Member Agency purchases from 2011-14.

# MWD Overspent Its Budget by \$1.2 Billion (2013-16)

**\$ 1.2 Billion**



# MWD Has Authorized \$900 million in Unplanned Borrowing

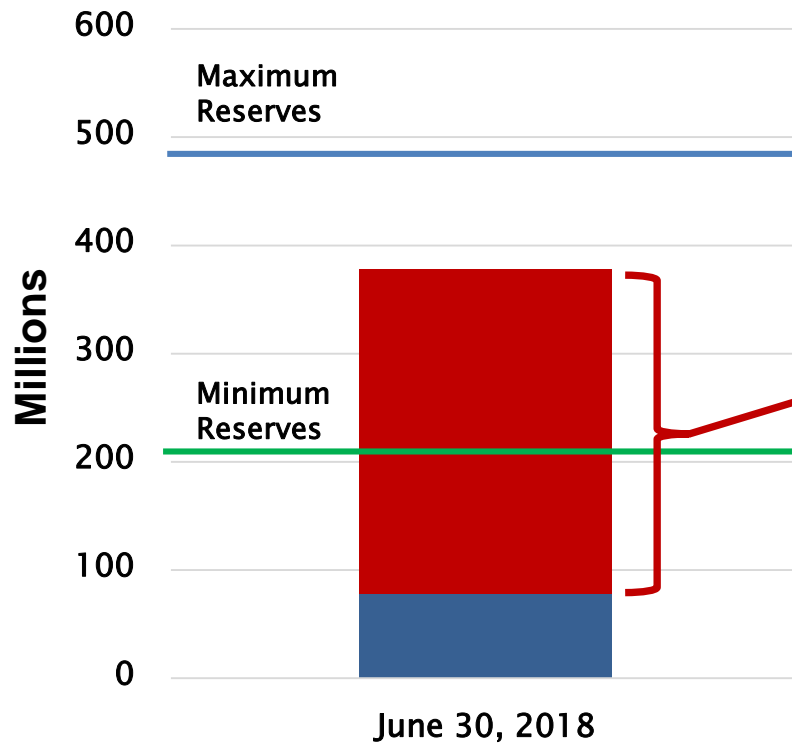


Data Source: MWD





# MWD Depletes Cash Reserves; Borrows \$300 Million to Meet Minimum Reserve Requirement



Of the \$378 million MWD projects it will hold in cash reserves on June 30, 2017, \$300 million is money borrowed from commercial banks.



# Expanded Information Effort

- ▶ Water Authority expanding informational effort beyond San Diego County
  - Engage public officials, civic and opinion leaders throughout MWD's service area
  - Get answers to the questions the Water Authority's have been asking at MWD
  - Bring about changes in MWD's practices so that it is accountable and sustainable
  - Require transparency in MWD's business practices and decision-making
- ▶ Ultimately, resolve disputes and be part of a sustainable MWD



# Local Support Renewed

- San Diego County Board of Supervisors
- City of San Diego
- City of Del Mar
- City of Encinitas
- City of Escondido
- City of National City
- City of Santee
- City of Vista
- Padre Dam MWD
- San Dieguito Water District
- Santa Fe Irrigation District
- Valley Center MWD





# Support Water Authority Efforts

- ▶ Support the Water Authority's pending rate litigation and any future litigation to recover illegal rates
- ▶ Keep apprised of MWD activities that impact our region's ratepayers
- ▶ Utilize opportunities to share information with community members
- ▶ Engage other elected officials throughout Southern California in a dialogue regarding concerns with MWD's fiscal affairs
- ▶ Consider adopting resolution or letter of support



# Stay in Touch with the Water Authority



[sdcwa.org/mobile-news-app](http://sdcwa.org/mobile-news-app)



  
San Diego County Water Authority



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