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Report Confirms Motivations Behind \$3 Billion Cost Shift

West Basin participates in report to protect rate payers

CARSON, Calif. -- A Los Angeles Economic Development Corporation (LAEDC) report, commissioned by seven Metropolitan Water District (Met) member agencies and released yesterday, confirms that San Diego County Water Authority (SDCWA) is paying more for water purchased from Imperial Irrigation District (IID) than it would have paid for the same amount of water from Met. The report confirms what West Basin Municipal Water District (West Basin) believes are the SDCWA's motivations behind the lawsuit and negative public relations campaign it is waging against Met and its member agencies. SDCWA is attempting to shift the costs of its water transfer to the other Met member agencies.

The report, "The Cost of Water in San Diego: The IID Water Transfer and San Diego County Water Authority Rates," utilized public information to analyze the cost structure of their water transfer and how these and other costs have been reflected in SDCWA's rates and charges. The report finds that over the first eight years of the transfer, the average cost paid by SDCWA was almost twice as much as Met supply. Even when considering the combined cost of the IID transfer and less-expensive water from two canal-lining projects, SDCWA still paid an average of \$644 per acre-foot while Met was charging \$451 per acre-foot. This confirms that San Diego rate payers are paying more under this water transfer than if SDCWA had purchased water from Met.

SDCWA filed suit against Met in June 2010, claiming that Met's rate structure is unfair. SDCWA seeks to pay less than their fair share of Met's transportation costs and the result would be a significant cost shift to the other Met member agencies forced to make up the difference. In 2012, SDCWA launched an expensive public relations campaign against Met and some of its member agencies, attempting to divert public attention from SDCWA's policy decisions.

At stake in the lawsuit is a cost shift of \$3 billion over the life of the water transfer from SDCWA rate payers to the rate payers of the remaining Met member agencies, including West Basin.

"San Diego's rates are fair. By their own admission, they currently pay 25% of the cost and receive 25% of the water," said West Basin President Donald L. Dear. "The cost shift would unfairly impact West Basin's customers, requiring them to pay an additional \$240 million. We think that's an unjust burden for our customers to bear, so we're doing everything we can to stop the shift," Dear said.

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West Basin is one of seven agencies that commissioned the report, including Western Municipal Water District, Eastern Municipal Water District, Inland Empire Utilities Agency, Three Valleys Municipal Water District, Municipal Water District of Orange County, and the Los Angeles Department of Water and Power. According to West Basin General Manager Rich Nagel, "The agencies together spent \$50,000 on the report, which is a small investment to make to protect our rate payers."

The study also confirms that the cost of the IID transfer is one of several major factors other than Met's supply costs driving SDCWA water rate increases, including other SDCWA reliability investments, and declining water sales. The LAEDC report highlights additional information that supports the concerns of West Basin and several other Met member agencies that could be affected by San Diego's lawsuit to protect its rate payers from a burdensome and unfair cost shift.

The report may be downloaded from www.westbasin.org.

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West Basin Municipal Water District is committed to water reliability, water quality, sound financial and resource management, customer service, and environmental stewardship. West Basin is a recognized, international leader in the production of recycled water and has won several awards for its leadership, water recycling and water resource management. West Basin provides more than 30 million gallons of recycled water throughout the South Bay each day, replacing enough precious drinking water to supply 60,000 households annually. To learn more, visit www.westbasin.org.