



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Manager

September 17, 2020

Via Electronic Mail Only

Mr. Keene Simonds, Executive Officer
Mr. Robert Barry, Project Manager
San Diego Local Agency Formation Commission
9335 Hazard Way, Suite 200
San Diego, CA 92123
keene.simonds@sdcounty.ca.gov
robert.barry@sdcounty.ca.gov

Comments on Proposals by Rainbow Municipal Water District and Fallbrook Public Utility District, Reference Nos. RO20-04 and RO20-05

Dear Mr. Simonds and Mr. Barry:

The Metropolitan Water District of Southern California (Metropolitan) submits the attached comments on the proposal by Rainbow Municipal Water District (Rainbow) and Fallbrook Public Utility District (Fallbrook) to detach from the San Diego County Water Authority (SDCWA) and attach to Eastern Municipal Water District (Eastern). Both SDCWA and Eastern are member agencies of Metropolitan making Metropolitan an interested party in this proceeding.

As the Rainbow and Fallbrook service areas already are part of Metropolitan's service area, there is no need to annex into Metropolitan and there would be no fees charged by Metropolitan to either Rainbow or Fallbrook. As explained in the attached comments, Metropolitan foresees no financial impacts to Metropolitan and no physical changes in how Metropolitan already delivers water to the Rainbow and Fallbrook service areas from this proposed reorganization. There are certain administrative actions that Metropolitan would need to take to effectuate the reorganization if approved, but these are ministerial in nature and do not require action by Metropolitan's Board of Directors.

Mr. Keene Simonds
Mr. Robert Barry
September 17, 2020
Page 2

We would be happy to provide any additional information desired. Please feel free to contact me if you have any questions or would like anything further.

Sincerely,



Jeffrey Kightlinger
General Manager

Attachment

cc via electronic mail only w/attachment:

Sandra Kerl, General Manager, SDCWA, skerl@sdcwa.org

Paul Jones, General Manager, Eastern, jonesp@emwd.org

Tom Kennedy, General Manager, Rainbow, tkennedy@rainbowmwd.com

Jack Bebee, General Manager, Fallbrook, jackb@fpud.com

**Comments on the Detachment and Annexation of
Rainbow Municipal Water District and Fallbrook Public Utility District
from San Diego County Water Authority into
Eastern Municipal Water District for Wholesale Water Service from
The Metropolitan Water District of Southern California
Reference Nos. RO20-04 and RO20-05
September 17, 2020**

The Metropolitan Water District of Southern California (Metropolitan) provides wholesale water service to 26 member agencies, including San Diego County Water Authority (SDCWA) and Eastern Municipal Water District (Eastern). Accordingly, Metropolitan is an “interested party” in this proceeding and provides the following informational briefing memo on the proposal by Rainbow Municipal Water District (Rainbow) and Fallbrook Public Utility District (Fallbrook) (collectively, Rainbow and Fallbrook are referred to as the “Applicants”) to detach from SDCWA and annex into Eastern for wholesale water service (referred to as the “reorganization”).

I. OVERVIEW OF METROPOLITAN’S WHOLESALE WATER SERVICE TO THE APPLICANTS’ SERVICE AREA

A. Metropolitan’s Structure

Metropolitan is a public agency and regional water wholesaler providing imported water supplies supplementing otherwise insufficient local water resources in the region. Metropolitan is comprised of 26 member public agencies; these agencies or their own member agencies serve approximately 19 million people in six counties in Southern California, including Los Angeles, Ventura, Orange, Riverside, San Bernardino, and San Diego counties.

Metropolitan was created pursuant to an act of the California Legislature, specifically The Metropolitan Water District Act of 1927 (MWD Act). The MWD Act provided legislative authority for the creation of “metropolitan water districts” subject to the approval of the electorate of its constituent municipalities. Metropolitan was approved via public election and incorporated in 1928. The MWD Act provides legislative authority for Metropolitan’s actions, and direction on its governance and operations.

The MWD Act is codified in the California Water Code. Statutes 1969, ch.209, as amended; West’s California Water Code – Appendix Section 109; Deering’s California Water Code – Uncodified Act 570. Additionally, under its authority from the MWD Act, Metropolitan’s Board of Directors has promulgated an administrative code to provide further direction to its member agencies and staff, referred to as the Metropolitan Administrative Code. Copies of this Code and the MWD Act are available on Metropolitan’s website at <http://mwdh2o.com/WhoWeAre/MWDAct/Pages/default.aspx>.

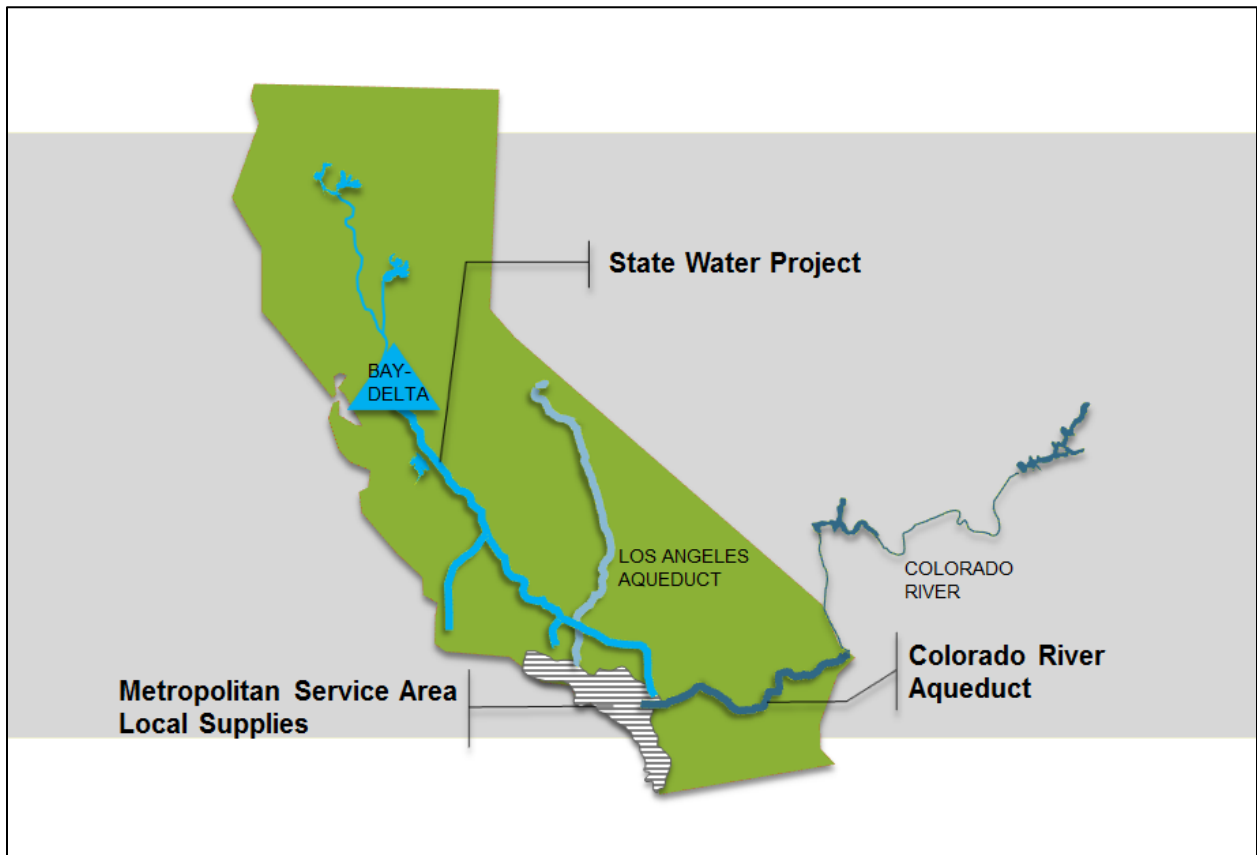
Pursuant to the MWD Act, Metropolitan is a voluntary cooperative governed by a 38-member Board of Directors, comprised of representatives of its 26 member agencies, including SDCWA

and Eastern. Sections 51, 52, and 55 of the MWD Act set forth the number of representatives and voting block to which each member agency is entitled. Other than authority delegated to its General Manager and other direct-report positions by the MWD Act and the Metropolitan Administrative Code, all decisions are made by Metropolitan’s Board of Directors.

B. Metropolitan’s Sources of Water

Metropolitan’s mission is to provide its 26 member agencies in its 5,200 square-mile service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way. Metropolitan’s primary sources of imported water come from the Northern Sierra Mountains via the California State Water Project (SWP) and from the Colorado River via the Colorado River Aqueduct (CRA) as illustrated in Figure 1. Other sources available to the region to balance its demands are Local Supplies, which include water from the Los Angeles Aqueduct, conservation, groundwater, recycling, and desalination. On average, water supply to Metropolitan’s service area is made up of approximately 30% SWP, 20% Colorado River, and 50% Local Supplies.

Figure 1 – Water Supply to Metropolitan’s Service Area

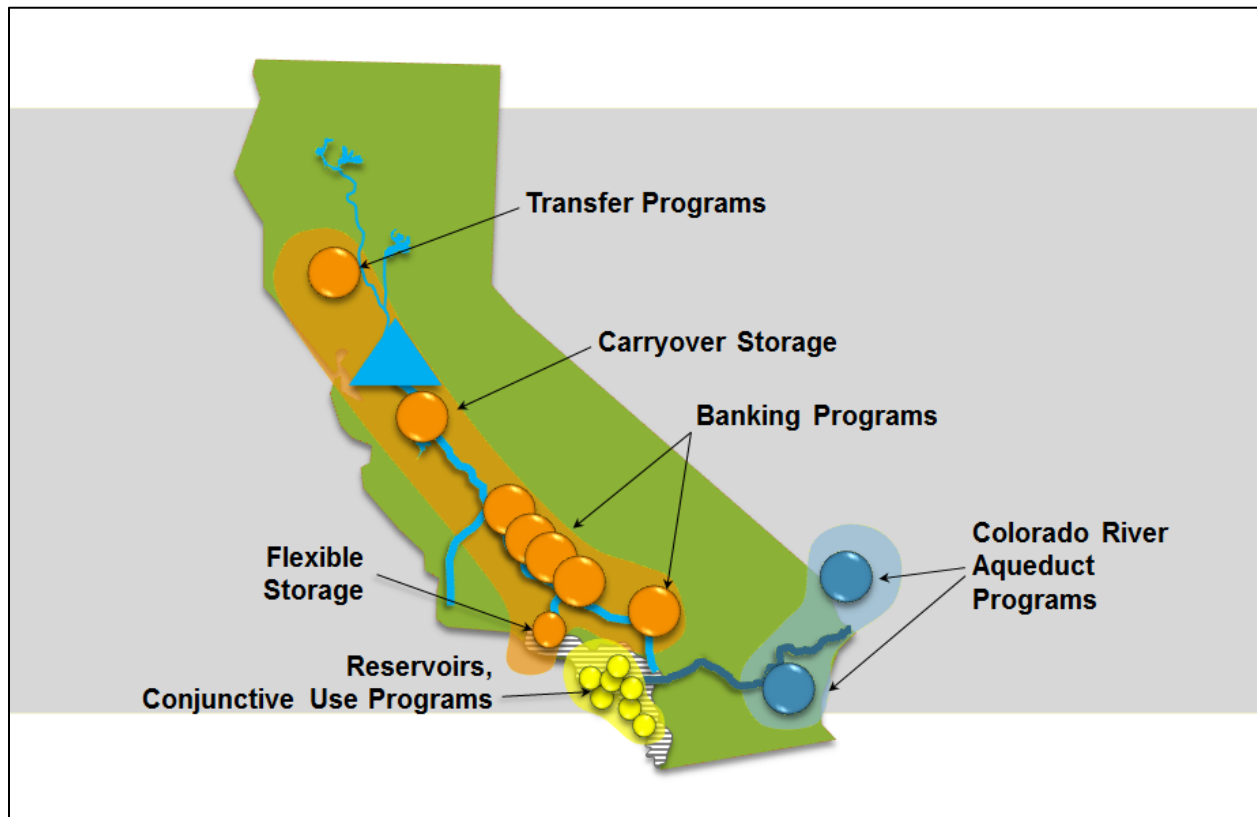


Over time, Metropolitan has made investments in other water supply resources and storage mechanisms to supplement the two major imported water resources, which helps bring drought reliability to the region. These resources are illustrated in Figure 2. Transfer programs allow Metropolitan to purchase water from other agencies in Northern or Central California and deliver this water to the region. Carryover Supplies refers to water Metropolitan stores in San Luis Reservoir, part of the SWP. Banking Programs allow Metropolitan to store water in groundwater aquifers of agricultural districts in the San Joaquin Valley. When needed, this water can be extracted and directly delivered or delivered via exchange with partnering agencies' surface supplies. Flexible Storage refers to water Metropolitan stores in the southern SWP reservoirs, Castaic Lake and Lake Perris, similar to Carryover Storage in San Luis Reservoir.

Colorado River Aqueduct Programs refer to a suite of programs aimed at maximizing Metropolitan's CRA supplies. These programs include Lake Mead storage, an exchange program with Desert Water Agency and Coachella Valley Water Districts, a water conservation agreement with IID, fallowing programs, and canal lining programs where canals and other on-farm laterals are lined or re-lined to become more water efficient and the conserved water is supplied to Metropolitan.

Metropolitan also has several of its own surface reservoirs that are used to manage its supplies. The largest Metropolitan-owned surface reservoir is Diamond Valley Lake with a capacity of 810,000 acre-feet, located near Hemet, CA. Finally, Metropolitan has entered into conjunctive use programs with its member agencies to develop dry-year yield for the region. Under these programs, Metropolitan invested in infrastructure to enhance groundwater storage in exchange for the right to store wet-year imported supplies that may be called on for use by Metropolitan during dry, drought, or emergency conditions.

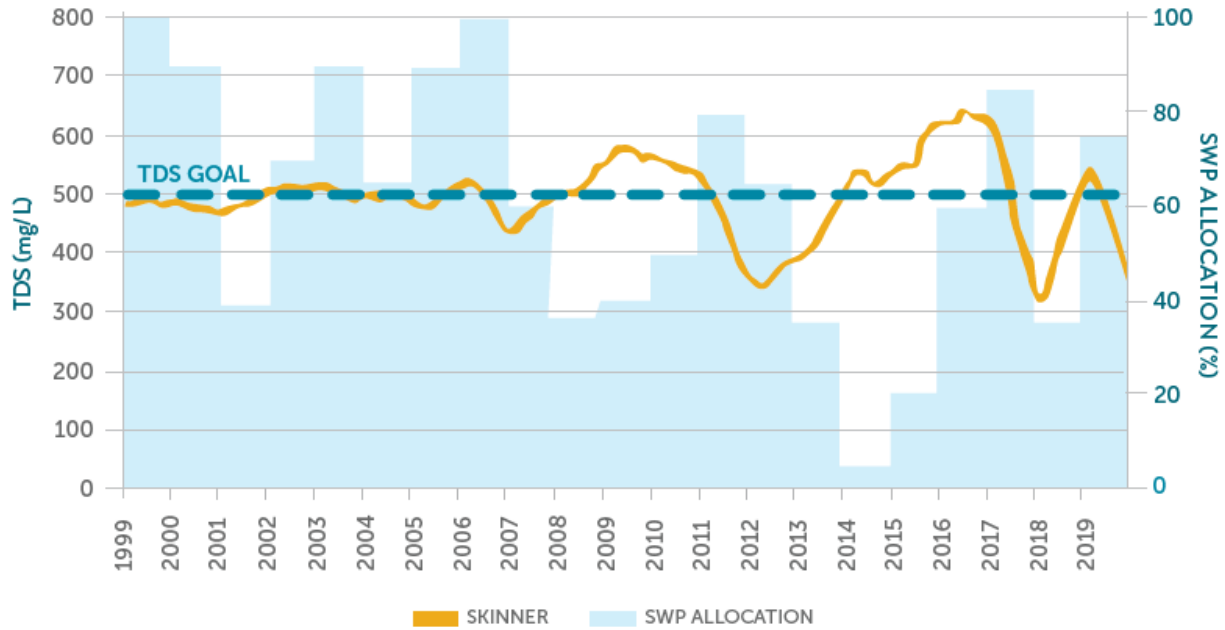
Figure 2 – Metropolitan’s Additional Resources



The main benefit of this diverse portfolio of water stored and delivered through multiple pathways on Metropolitan’s conveyance and distribution system is strong reliability and redundancy for the region. This diverse supply blend also provides a significant water quality benefit. For example, all of the supplies delivered on the SWP system are significantly lower in salinity than the supplies delivered on the CRA. When SWP supplies are high, more of this water can be brought into the region, lowering overall salinity levels through blending. This blend of water supplies produces less scale build up in water facilities and commercial and home appliances, improves performance of water recycling plants, aids local agriculture, lowers salinity levels in groundwater basins, as well as other benefits.

The MWD Act provides that where Metropolitan delivers a blend of supplies, it should be at least 50 percent SWP water if reasonable and practical. Metropolitan has a goal of maintaining a running annual average of Total Dissolved Solids (TDS) of 500 mg/L whenever water supplies allow. CRA supplies currently have TDS levels around 600 mg/L whereas SWP supplies currently have TDS levels of around 250 mg/L. Blending these two supplies helps Metropolitan meet its salinity goal throughout its service area providing significant water quality benefits to Southern California. Figure 3 illustrates TDS levels over time to the area south of Metropolitan’s San Diego Canal (the Metropolitan canal that Metropolitan uses to deliver water to SDCWA and the Applicant’s service area).

Figure 3 – TDS Levels to SDCWA and Eastern



* Flows based on running annual average

Figure 3 shows the water quality benefits from blending Metropolitan’s supplies. The shaded bars showing the SWP Allocation percentage or the amount of Metropolitan’s share of SWP it receives in a given year. The yellow line indicates the levels of TDS in Metropolitan’s blended supplies at its Skinner Plant. Thus, the graph show that when SWP supplies are high, Metropolitan’s supplies at its Skinner Plant are blended with the CRA supplies to lower overall TDS levels.

C. Metropolitan Water Sales Deliveries to SDCWA and Eastern

SDCWA and Eastern are both Metropolitan member agencies and as such, they purchase water from Metropolitan. They both receive a blend of water from the SWP, Colorado River, and the additional Metropolitan water resources described in Figure 2. These supplies are conveyed through Metropolitan’s interconnected conveyance and distribution system. Some of the water delivered is processed through Metropolitan’s regional water treatment plants for delivery as potable drinking water while other water is delivered untreated to the member agencies for their own storage or treatment. Figure 4 illustrates the ways these supplies travel through Metropolitan’s distribution system to Metropolitan’s San Diego Canal.

Figure 4 – Metropolitan’s Integrated System



D. Metropolitan Exchange Deliveries to SDCWA

Member agencies, and third parties, may also secure other supplies, which they may convey through or exchange using Metropolitan’s integrated system by agreement with Metropolitan. SDCWA has acquired Colorado River water and SDCWA has an agreement with Metropolitan to exchange that water with Metropolitan for deliveries of Metropolitan water. The exchange water that Metropolitan delivers is no different than the water SDCWA purchases from Metropolitan.

On April 29, 1998, SDCWA and Imperial Irrigation District (IID) executed an agreement (the “IID-SDCWA Transfer Agreement”) for SDCWA’s purchase of Colorado River water that is conserved within IID. On October 10, 2003, an amendment to the IID-SDCWA Transfer Agreement, executed as one of the set of agreements related to the Colorado River Quantification Settlement Agreement (QSA), set the maximum transfer amount at 205,000 acre-feet in calendar year 2021, with the transfer gradually ramping up to that amount over a 19-year period, then stabilizing at 200,000 acre-feet per year beginning in 2023.

SDCWA has no independent facility to convey its purchased Colorado River water to its service area. Accordingly, in 1998, after SDCWA and Metropolitan determined not to enter into a

wheeling agreement, the parties entered into an exchange agreement, pursuant to which SDCWA would make available the conserved IID Colorado River water to Metropolitan at the Colorado River Aqueduct intake on Lake Havasu as it became available, and Metropolitan would exchange it for 12 equal monthly Metropolitan water deliveries at the Metropolitan-SDCWA connections. The exchange deliveries consist of water from Metropolitan's own sources of supply through its delivery system to SDCWA, which are no different than Metropolitan's full-service water sales deliveries to SDCWA (see Figure 4 above). SDCWA agreed to pay Metropolitan a fixed unit price, not tied to Metropolitan's rates, with an annual escalator for the exchange under the 1998 Agreement.

Under the 1998 SDCWA-Metropolitan Exchange Agreement, SDCWA agreed to pay Metropolitan a discounted unit price, and Metropolitan was to receive an appropriation of \$235 million from the California Legislature to fund lining the All-American and Coachella Valley Canals to conserve water being lost to seepage and other projects. This funding was intended to compensate Metropolitan for the discounted exchange price. Metropolitan had acquired rights to the estimated 77,700 acre-feet per year of the resulting conserved water (Canal Lining Water) upon completion of the canal lining pursuant to Federal legislation.

In 2003, at SDCWA's request, SDCWA and Metropolitan amended their 1998 Exchange Agreement, changing the fixed unit price term to a higher price equal to Metropolitan's transportation rates and assigning to SDCWA the Canal Lining Water for 110 years and the \$235 million in state funding. Metropolitan assigned these assets to SDCWA in an Allocation Agreement that was also part of the QSA. The amended Exchange Agreement provided that both the Canal Lining Water and IID water would be exchanged for delivery of Metropolitan water. Metropolitan has delivered exchange water to SDCWA under the 2003 Exchange Agreement, which water is the same as blended water Metropolitan delivers to SDCWA pursuant to SDCWA's purchases. The only difference between the two deliveries is the billing distinction in the monthly invoices.

The term of the 2003 Exchange Agreement, as it relates to conserved water transferred by IID to SDCWA, extends through 2047 (because SDCWA elected to extend the agreement by 10 years), and as it relates to Canal Lining Water, extends through 2112. These terms are each subject to the right of SDCWA, upon a minimum of five years' advance written notice to Metropolitan, to permanently reduce the aggregate quantity of conserved water made available to Metropolitan under the Exchange Agreement to the extent SDCWA decides to transport the water through alternative facilities (which do not presently exist).

E. Metropolitan's Emergency Storage

A portion of Metropolitan's storage is reserved for emergencies bolstering Metropolitan's and its member agencies' reliability. Metropolitan's need for emergency storage is based on the potential for major earthquake damage to the Colorado River Aqueduct, State Water Project, and Los Angeles Aqueduct rendering the aqueducts out of service, isolating the region from its imported water supplies. Metropolitan's objective is to provide regional emergency storage that could allow Metropolitan to deliver supplies to all its member agencies during this period of outage. Diamond Valley Lake is one of Metropolitan's emergency storage reservoirs. As shown

in Figure 2, Diamond Valley Lake is located along the San Diego Canal, just upstream of Rainbow and Fallbrook.

If by chance, an earthquake or other emergency damages the canals or pipelines between Diamond Valley Lake and Rainbow and Fallbrook, Metropolitan also maintains heavy construction equipment, structural supplies, and manufacturing shop capacity to respond and make repairs quickly. Construction crews can repair canals, and new pipe can be fabricated and installed as quickly as possible depending on the severity of the damage.

Additionally, in 2019, Metropolitan adopted new policy, set forth in section 4519 of Metropolitan's Administrative Code, to clarify the terms and conditions under which member agencies may convey water to themselves or each other using Metropolitan's distribution system during an emergency if Metropolitan supplies are not available. Under this policy and during an emergency, Metropolitan would charge the member agencies only certain identified costs. For example, if treated water supplies are not available from the Skinner Water Treatment Plant after an earthquake, Eastern, or their sub-agency, Rancho California Water District, could use Metropolitan's pipelines to deliver water to Rainbow and Fallbrook.

Together, Metropolitan's diverse portfolio of supplies, flexible, interconnected regionwide infrastructure, and emergency storage provide its member agencies with water supply reliability. In fact, Metropolitan's overall water storage is at historic levels, currently in excess of approximately 3.8 million acre-feet.

II. OVERVIEW OF THE WATER SUPPLY RELIABILITY ISSUES RELATED TO THE PROPOSED REORGANIZATION

A. No Impacts on Water Supply Originating from Metropolitan

The proposed reorganization will have no impact on the reliability of water originating from Metropolitan and delivered to service connections in the Applicants' service area, as water from Metropolitan is already being delivered to its member agency SDCWA by deliveries directly to the Applicants from Metropolitan's distribution system. Currently, SDCWA requests that Metropolitan deliver water for SDCWA directly to Rainbow and Fallbrook. Under the proposed reorganization, Metropolitan's member agency Eastern would now make the same request to Metropolitan. Metropolitan's water service to Eastern by delivering directly to the Applicant's service area will continue to consist of the same blends of source water already provided to that area. There will not be any differences in Metropolitan water supply quality or reliability to the Applicants' service area as a result of the proposal.

A question has been raised whether SDCWA's supplies to the Applicants are more reliable than Metropolitan's supplies to the Applicants. Metropolitan provides water only to its member agencies, but as explained, at SDCWA's request it makes deliveries directly to the Applicants. The same will occur if the Applicants join Eastern. All the delivered water to the Applicants will continue to come from Metropolitan from the exact same sources. Metropolitan delivers its water to SDCWA at its service_connections in the Applicants' service areas, which is the same manner in which Metropolitan would continue to deliver water to Eastern for that area. The

transfer of those service connections to Eastern would not change Metropolitan's reliability. This proposed reorganization will not result in any physical change in the water supplied to the Applicants.

B. No Bay Delta Impacts by Metropolitan

Because identical water will continue to be delivered from Metropolitan's service connections to Rainbow and Fallbrook's service areas regardless of which Metropolitan member agency serves them, there is no increased reliance on the Delta and no implications on state policy for Delta issues. It is simply not true that the proposed reorganization would result in any increased reliance on Bay Delta supplies or violate state law.

First, there would not be any additional imported supplies delivered by Metropolitan as a result of the reorganization. A reorganization of retail or end users among Metropolitan's member agencies does not affect Metropolitan's impact on the Bay Delta. As previously stated, the reorganization does not affect Metropolitan's outside boundaries, nor does it change Metropolitan's distribution system. Metropolitan's delivery to the Applicants' service area is unaffected. As discussed earlier, Metropolitan has an integrated conveyance and distribution system that manages different imported water sources by blending, treating, storing, and delivering those sources, based on their availability and system conditions that vary in any given year. As SDCWA has pointed out, it does have the water Exchange Agreement with Metropolitan. However, as explained above, SDCWA makes Colorado River water available to Metropolitan at Lake Havasu and SDCWA receives by exchange an equal volume of water from Metropolitan's blended sources that are delivered to Metropolitan's-SDCWA service connections. Exchanged Colorado River water is not separated for conveyance through Metropolitan's system nor for delivery to SDCWA or the Applicants. Therefore, delivery of Metropolitan's blended source waters would continue through Eastern after reorganization, and would not translate into any additional imported water by Metropolitan from the Bay Delta.

Second, California Water Code section 85021, cited by SDCWA, is a statement of policy, applicable to "future water supply needs"—not the existing needs already served by the agencies involved in this proposed reorganization. In its entirety, the Section reads:

The policy of the State of California is to reduce reliance on the Delta in meeting California's future water supply needs through a statewide strategy of investing in improved regional supplies, conservation, and water use efficiency. Each region that depends on water from the Delta watershed shall improve its regional self-reliance for water through investment in water use efficiency, water recycling, advanced water technologies, local and regional water supply projects, and improved regional coordination of local and regional water supply efforts.

The plain language of section 85021 speaks in terms of "regions" improving their regional self-reliance, not each and every water agency in the state reducing its reliance on imported supplies from the Delta. As a region, Southern California has dramatically improved its self-reliance by

investing significantly in conservation, recycling, and other demand management programs, and the proposed reorganization within Metropolitan's service area does not affect those improvements. In fact, currently, Metropolitan has the most water stored in its reserves in its history, ensuring continued regional reliability in the face of climate change, drought, earthquake or other emergency.

C. Impacts to Metropolitan's Water Infrastructure

Because the water delivered by Metropolitan through its system to the Applicants' service area would continue to be identical, there are no significant facility or physical operational issues necessary for Metropolitan to continue to deliver water to the Applicants. Metropolitan would not alter the manner in which it delivers its supplies and deliveries to Rainbow's and Fallbrook's service areas would continue via existing pipelines already in place.

There would, however, be a few administrative issues to address. The active service connection agreements for connections that serve Rainbow and Fallbrook would need to be reassigned and updated from SDCWA to Eastern. Metropolitan can work out any service connection issues with its two member agencies with the goal of ensuring water supply reliability for the entire service area.

III. OVERVIEW OF THE IMPACTS ON METROPOLITAN'S MEMBER AGENCY COOPERATIVE RELATED TO THE POTENTIAL REORGANIZATION

A. Financial Issues Related to SDCWA and Eastern as Metropolitan Member Agencies

Metropolitan provides wholesale water services to its 26 member agencies through an integrated conveyance and distribution system. The services are provided to all member agencies pursuant to a postage stamp rate, meaning that all agencies pay the same rates and charges for the same water services regardless of the location of the final delivery. Thus, there are no financial impacts for Metropolitan, positive or negative, whether the Applicants belong to Eastern or SDCWA because Metropolitan's rates are the same for both Eastern and SDCWA. While there may be financial implications for Eastern, SDCWA, Rainbow and Fallbrook, they do not impact Metropolitan.

However, there are a number of Metropolitan-related financial issues that will need to be addressed for the member agencies involved in the proposal, including:

1. Tier 1 supply allocation;
2. Purchase Order obligations;
3. Readiness-to-Serve Charge;
4. Adjustment of the basis for the Capacity Charge; and
5. Application of the appropriate Standby Charge to the real properties within the Applicants' service areas.

Each of these issues, except item 5, involves a determination of past transactions by each member agency at Metropolitan. The right to purchase water at the Tier 1 rate, for instance, is set by a past average or by purchase order agreement for each member agency. In SDCWA's case, it is set by past average purchases, because SDCWA did not enter into a purchase order agreement. Similarly, the Readiness to Serve Charge and Capacity Charge is calculated by past average transactions of each agency. Metropolitan provides its services, and therefore, calculates past transactions, by member agency; we do not assign transactions to the customers within each member agency. For example, when SDCWA purchases water from Metropolitan, it purchases a total amount and Metropolitan does not assign that purchase to any particular member agency of SDCWA. Past average transactions of SDCWA for calculation of any of the Tier 1 supply allocation, purchase order obligation, Readiness-to-Serve Charge, or Capacity Charge, is calculated based on the total amount SDCWA purchased from Metropolitan—not by SDCWA's deliveries to any of its own customers. Changes to these allocations and charges which are based on rolling averages of past transactions would require adjustment going forward.

There are some related issues that have been raised in this proceeding relating to Metropolitan that are actually not affected by the proposed reorganization. These include Metropolitan's ad valorem property taxes and preferential rights.

B. Ad Valorem Property Tax

Metropolitan collects an ad valorem property tax from properties throughout its service area. The property tax rate has been set at 0.0035% since fiscal year 2012/13, which is \$10.50 per year for a property assessed at \$300,000. Unlike the Standby Charge, Metropolitan's ad valorem property tax is collected uniformly throughout Metropolitan's service area and goes to pay Metropolitan's general bond and State Water Contract obligations. The tax is collected for the benefit of the entire Metropolitan service area. Thus, upon transfer, the affected area would transfer on to the new tax service areas under Eastern, with Metropolitan ad valorem taxes remaining unchanged. The ad valorem property taxes are collected by the County Assessors and sent to Metropolitan. No changes to Metropolitan's property taxes would be made from this reorganization. SDCWA collects its own separate ad valorem property taxes. However, SDCWA's separate tax does not affect Metropolitan's separate property taxes.

C. Preferential Rights

Another potential administrative issue that has been raised in this proceeding is the calculation of preferential rights for the involved member agencies. Preferential rights are rights of Metropolitan's member agencies to purchase a portion of available water pursuant to the MWD Act. Under Metropolitan Act section 135, each member agency's preferential rights are calculated based on certain of the member agency's historical payments to Metropolitan and historical amounts paid by the member agency to Metropolitan on tax assessments. Preferential rights are not based on the amount of transactions between a member agency and its customers and they are not transferable from one Metropolitan member agency to another. Should the proposed reorganization be approved, Metropolitan would continue to follow the statutory preferential rights calculation for its member agencies going forward and the reorganization would not affect the methodology. Eastern and SDCWA would each receive an annual update to

their preferential rights calculation as they do today. As a practical matter, it should be noted that while Southern California has endured numerous droughts over the past 90 years, no member agency has invoked Metropolitan's use of the preferential rights formula for allocating water in Metropolitan's history. Instead, based on Board action, Metropolitan has used pricing mechanisms to allot water among its member agencies during shortages.

In summary, Metropolitan has never limited member agencies' ability to purchase water according to their preferential rights. The rights themselves have no intrinsic monetary value and are not transferable. The methodology for calculating preferential rights is prescribed by statute in the MWD Act. Should the reorganization be approved, Metropolitan will continue to calculate the preferential rights for Eastern and SDCWA as prescribed by law, which is based on the member agencies' historical relevant payments to Metropolitan and Metropolitan ad valorem tax payments—not by the member agencies' sales to its own customers. There would be no financial or physical impacts to water service for the applicants related to this issue caused by reorganization.

D. Governance Issues at Metropolitan

There are a number of governance issues that relate to Eastern and SDCWA's membership in Metropolitan's cooperative that will need to be adjusted if the proposed reorganization is completed, including Metropolitan Board representation and voting entitlement. The MWD Act sets forth the voting weight of each member agency based on the assessed valuation of the member agency's service area. Under Section 55 of the MWD Act, each member agency gets one vote for every \$10 million of assessed valuation of property taxable for Metropolitan's purposes. As of August 2020, Eastern's service area assessed valuation constituted 2.75% of the total Metropolitan service area and entitled Eastern to 8,936 votes at Metropolitan. SDCWA's service area assessed valuation constituted 17.34% of the total Metropolitan service area and entitled SDCWA to 56,310 votes at Metropolitan.

If the Rainbow and Fallbrook service area are detached from SDCWA, the weight of SDCWA's vote will be slightly reduced and the weight of Eastern's vote will be correspondingly increased. The Applicants' interests at Metropolitan will continue to be represented through the additional weight given to Eastern. Given the relative size of the Applicants, this would be a relatively de minimis impact in a vote shift of about 0.3% and would not cause either Eastern or SDCWA to gain or lose a board seat at Metropolitan.

Under Section 52 of the Metropolitan Water District Act, assessed valuation is also used to determine how many representatives an agency has on the Metropolitan Board. Each member agency is entitled to one board member and may appoint an additional representative for each full 5 percent of Metropolitan's assessed valuation of taxable property that is within such member agency's service area. As of last year, Assembly Bill 1220 (Garcia) added subsection (b) to Section 52 of the MWD Act, which provides, "A member public agency shall not have fewer than the number of representatives the member public agency had as of January 1, 2019. This subdivision does not affect Section 55." Eastern has 1 representative and SDCWA has 4 representatives on the Metropolitan Board. The proposed reorganization will not change the number of Metropolitan Board representations for either agency.

In sum, Metropolitan's governance is prescribed by state law pursuant to the MWD Act, and Metropolitan would apply the statutory formula for calculation of voting entitlement in the event this reorganization is approved.

IV. CONCLUSION

In conclusion, the proposed reorganization would not impact Metropolitan's ability to provide reliable water supplies to its 26 member agencies. Nor would it increase the demands on the Bay Delta. It would have only a de minimis impact on voting entitlements and representation by SDCWA and Eastern at Metropolitan. And it would not affect the County Assessor's ability to collect taxes to be distributed throughout Metropolitan's service area.

Metropolitan appreciates the opportunity to provide information and looks forward to working cooperatively with the stakeholders throughout the process.