



October 25, 2021

Mr. Keene Simonds
Executive Officer
San Diego Local Agency Formation Commission
9335 Hazard Way, Suite 200
San Diego, CA 92123

Subject: Eastern Municipal Water District Comments on the October 11, 2021 Draft Report to the Ad Hoc Advisory Committee on Fallbrook PUD and Rainbow MWD Wholesaler Reorganization as Related to Proposals by Rainbow Municipal Water District and Fallbrook Public Utility District, Reference Nos. RO20-04 and RO20-05

Dear Mr. Simonds:

The Eastern Municipal Water District (EMWD) has reviewed the draft Report to the Ad Hoc Advisory Committee regarding the potential Fallbrook and Rainbow Reorganization dated October 11, 2021 (Report). EMWD is submitting this letter to provide clarification on EMWD's wholesale service, growth and future demands in EMWD's service area, and implementation of the Metropolitan Water District of Southern California's (Metropolitan) Water Supply Allocation Plan (WSAP).

[EMWD Wholesale Service](#)

The Report incorrectly describes EMWD as having two types of wholesale customers. This concept of different levels of service is initially introduced on page 65, where the Reports states:

...there are two classes of EMWD wholesale customer agencies which pay different wholesale rates and receive different levels of service from EMWD..."

This statement is followed by the question of "what are the two classes of EMWD wholesale customer agency?" with the following explanation (emphasis added):

Board of Directors

Philip E. Paule, *President* Randy A. Record, *Vice President* Jeff Armstrong Stephen J. Corona David J. Slawson

2270 Trumble Road • P.O. Box 8300 • Perris, CA 92572-8300

T 951.928.3777 • F 951.928.6177 www.emwd.org

As a wholesaler of water, EMWD has two types of customers.

*What might be called full-service member agencies make use of EMWD's distribution system infrastructure and (subject to operational constraints) **have access to its local supplies from recycled wastewater, groundwater and desalinated groundwater**. For this they pay a supply charge amounting (this year) to \$1,350/AF. This charge is equivalent to MWD's Tier 1 rate for treated water (\$1,104) plus an additional charge of \$246/AF for access to EMWD's distribution system.*

Another type of agency is what might be called a limited-service member agency. At present, the prime example is Rancho California Water District (RCWD). RCWD has an MWD pipe passing through its service area and it takes water directly from turnouts on the MWD pipe. It does not have access to EMWD's distribution system, and it does not receive any of EMWD's local supply: all of the water it obtains through EMWD comes from the turnouts on MWD's pipeline. It is billed for this MWD water through EMWD. It pays EMWD the MWD Tier 1 rate for treated water plus an administrative fee of \$11/AF to cover EMWD expenses, for a total charge (this year) of \$1,115/AF.

While EMWD does charge different wholesale rates to agencies within its service area, **EMWD does not provide different levels of service** to agencies within its service area as currently described in the Report. Contrary to the Report, none of these agencies (regardless of the rate charged) are accessing EMWD's local potable supplies, which are **allocated for retail use only**. Instead, all of EMWD's wholesale customer agencies are receiving water purchased from Metropolitan.

This is documented in EMWD's 2020 Urban Water Management Plan (UWMP). For example, Table 6-14 of the 2020 UWMP shows that all potable and raw water served by EMWD to wholesale customers in 2020 was purchased from Metropolitan. Similarly, in Table 6-16, EMWD shows that all future wholesale potable and raw water supplies will originate from Metropolitan.

The 2020 UWMP does show that EMWD serves a small quantity of recycled water on a wholesale basis. However, it is important to note that **these sales occur under a separate rate code that is distinct from those discussed in this Report**. In 2020, this volume was 1,285 AF, and this total is projected in the 2020 UWMP to increase in future years.

For reference purposes, the tables from the 2020 UWMP are reproduced below:

Table 6-14. DWR 6-8W Actual Water Supplies

WATER SUPPLY	ADDITIONAL DETAIL ON WATER SUPPLY	2020	
		ACTUAL VOLUME (AF)	WATER QUALITY
Purchased or Imported Water	Treated Water purchased from Metropolitan	15,008	Drinking Water
Purchased or Imported Water	Raw Water purchased from Metropolitan	14,909	Other Non-Potable Water
Purchased or Imported Water	Soboba Settlement Water	6,467	Other Non-Potable Water
Recycled Water		1,285	Recycled Water
TOTAL:		37,669	

Table 6-16. DWR 6-9W Projected Water Supplies

WATER SUPPLY	ADDITIONAL DETAIL ON WATER SUPPLY	PROJECTED WATER SUPPLY (AFY)				
		REASONABLY AVAILABLE VOLUME				
		2025	2030	2035	2040	2045
Purchased or Imported Water	Metropolitan Treated / Untreated	50,700	44,900	46,900	49,200	51,300
Purchased or Imported Water	Soboba Settlement Water	7,500	7,500	7,500	7,500	7,500
Recycled Water		4,770	5,180	5,600	5,600	5,600
TOTAL:		62,970	57,580	60,000	62,300	64,400

Soboba Settlement requires Metropolitan to provide a long term annual average recharge of 7,500 AFY - any portion unused by the Soboba Tribe is split for use by EMWD, LHMWD, City of Hemet, and the City of San Jacinto

Given the fact that each of EMWD’s wholesale customers receive water from the same source, perhaps the more appropriate question to ask in this Report is: **why does EMWD charge wholesale customer agencies different rates for the same level of service?**

The reason why some of EMWD’s wholesale customers can receive water at a lower rate is because, as correctly stated in the Report, some of EMWD’s wholesale customers are able to take water directly from turnouts on Metropolitan pipelines. For these customers, namely Rancho California Water District (RCWD), EMWD does not incur any expenses beyond what is covered by the \$11/AF administrative fee as EMWD does not need to operate any infrastructure to facilitate the delivery of wholesale water supplies. In addition, although the Report notes on page 65 that as a so-called limited-service member agency,

“...[RCWD] does not have access to EMWD’s distribution system...”

RCWD does, in fact, have interconnections with EMWD's distribution system. However, these interconnections are rarely used since as discussed above, RCWD can take delivery of imported water directly from Metropolitan pipelines.

Therefore, while there are wholesale customers that pay a higher rate than RCWD, these customers are **not receiving access to EMWD's local supplies or a different level of service**. Rather, because these agencies are unable to take water directly from a Metropolitan turnout, purchased Metropolitan water must be pumped by EMWD through EMWD-owned and operated booster stations and transmission lines to a location where a wholesale customer agency can take delivery of the water. The higher wholesale rate cited in the Report is intended to allow EMWD to recover the costs associated with the use of EMWD infrastructure that is not required by wholesale customers with direct access to Metropolitan pipelines.

EMWD does deliver groundwater to three agencies (the Cities of Hemet and San Jacinto, as well as Lake Hemet Municipal Water District) as part of the Soboba Settlement Agreement, but this is not considered a wholesale supply as the water is produced from specific wells that are designated as shared facilities operated by EMWD on behalf of participating parties. The rate charged by EMWD for these deliveries covers operational and maintenance costs only as the rights to pump the groundwater are owned individually by the respective agencies.

Growth and Future Demands in the EMWD Service Area

Key context is missing from the Report's characterization of growth and future demands within EMWD's service area. On page 66, the Report describes the following:

"...EMWD's retail service population and its current wholesale service area population are each expected to grow by around 22% between 2020 and 2035. Demand for water is expected to grow more over this period -- by 46% in the retail service area and by 59% in the current wholesale service area..."

In EMWD's 2020 UWMP, projections for future water demands were calculated using a higher level of per capita water use than the actual 2020 per capita water use. This is a conservative planning assumption that accommodates for population growth occurring at a faster than projected rate. In reality, on a per capita basis, EMWD would expect demands to either remain consistent with 2020 levels or even decrease, given the implementation of statewide legislation such as SB 606 and AB 1668 and EMWD's ongoing investment in conservation programs and water use efficiency outreach within its service area.

Mitigation of WSAP Impacts

The Report notes on page 64 the following with respect to the impact of WSAP implementation by Metropolitan:

“...FPUD and RMWD themselves can get by with cutting their consumption by less than EMWD’s overall WSAP supply reduction if other EMWD retail customers turn out to cut their consumption by more than EMWD’s overall WSAP supply reduction...”

EMWD has made substantial investments in local projects and is able to balance its local and imported supplies to meet wholesale and retail demands, without being subject to any surcharges at various levels of WSAP Implementation. Furthermore, Metropolitan incentivizes the development of “extraordinary supplies” which allows a member agency to exclude a portion of qualifying local supplies from the WSAP calculation, increasing their allocation from Metropolitan. The report omits the potential for EMWD to mitigate a portion of the WSAP allocation with a qualifying extraordinary supply source. EMWD is currently in the process of developing an extraordinary supply, including its participation in the Santa Ana Conservation and Conjunctive Use Program (SARCCUP).

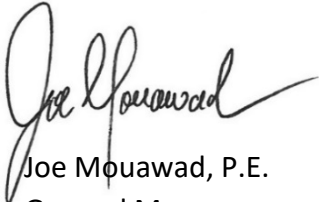
As a related point of clarification, EMWD does not require its wholesale customer agencies to take on additional conservation for the benefit of another agency. Should EMWD exceed its Metropolitan allocation at the service area level, EMWD would proportionally pass on any allocation surcharge assessed by Metropolitan only to those agencies exceeding their respective share of the overall service area allocation, which for consistency, is calculated using a methodology as close as possible to Metropolitan’s WSAP. However, if the service area as a whole happens to remain within the volume allocated by Metropolitan, EMWD would not assess a surcharge on agencies exceeding their respective proportional share of the allocation because no surcharge would be received from Metropolitan.

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EMWD appreciates the opportunity to continue to provide information to support the LAFCO process and is available to further discuss this and any prior information provided.

Sincerely,



Joe Mouawad, P.E.
General Manager



Nick Kanetis, P.E.
Deputy General Manager

LVA:ier

c:

Adam Wilson, Moderator, San Diego LAFCO
Michael Hanemann, Consultant, San Diego LAFCO
Jack Bebee, General Manager, FPUD
Tom Kennedy, General Manager, RMWD
Sandy Kerl, General Manager, SDCWA