



# MWD-SDCWA Water Rate Litigation

## Background on the Rate Challenge

San Diego County Water Authority (SDCWA) is suing the Metropolitan Water District of Southern California (MWD) over the Transportation rate (also known as the “Wheeling” rate) charged for water transfers. SDCWA receives a portion of their water supplies through transfers from Imperial Irrigation District (IID) and the All-American and Coachella Canal Lining Projects. This water is transferred to SDCWA using MWD’s Colorado River Aqueduct. In 2003, MWD agreed to accommodate SDCWA’s request to transport this water, and SDCWA agreed to pay the uniform Transportation rate for its use of the MWD system.

## What is the Contention by SDCWA?

SDCWA argues that MWD’s rate structure violates the law by misclassifying certain components of the Transportation rate (i.e., System Access, System Power, and Water Stewardship rates) as transportation costs. They allege that the costs associated with the State Water Project’s (SWP) infrastructure should be recovered through MWD’s Supply rate instead of the Transportation rate.

MWD and many of its member agencies disagree; the Transportation rate is designed to recover the costs of MWD’s entire conveyance and distribution system. This includes MWD’s share of the SWP system, which is relied upon to convey SWP supplies to MWD and its member agencies, including SDCWA. All users pay the same Transportation rate for access and conveyance in the MWD system, as this system provides all users with benefits. The current Transportation rate structure ensures that every agency pays their fair share.

*By seeking to lower the Transportation rate, SDCWA wants the other 25 MWD member agencies to subsidize its cost of transporting water purchased from IID.*

## MWD Water Rates

\$/AF Effective Jan 1, 2013	MWD Full Service	MWD Transportation Rate	SDCWA Lawsuit Objective <sup>1</sup>
Tier 1 Supply	\$140	“Agency Supply Cost”	
System Access	\$223	\$223	<b>\$116</b>
Water Stewardship	\$41	\$41	<b>\$0</b>
System Power	\$189	\$189	<b>\$43</b>
<b>Untreated Total</b>	<b>\$593</b>	<b>\$453</b>	<b>\$159</b>
IID Transfer Supply	N/A	\$540	\$540
<b>Total SDCWA Cost<sup>2</sup></b>	<b>\$593</b>	<b>\$993</b>	<b>\$699</b>

1) Lawsuit objective according to SDCWA.

2) Total SDCWA cost includes the Transportation Rate plus the supply cost for the water transfers. Total excludes MWD fixed charges.

## Map of Water Conveyance Facilities



## Explanation of MWD Rates

MWD provides water to its member agencies by first purchasing water, and then transporting it to its member agencies. Accordingly, MWD breaks up its rates into a “Supply” rate and a series of rates that together comprise the “Transportation” rate.

### Water Supply Rates (Tier 1 and Tier 2)

Recovers the cost of acquiring the actual water.

**System Access Rate** – Recovers the cost of building, financing, operating, and maintaining the conveyance and distribution system.

**System Power Rate** – Recovers MWD’s power costs for pumping water through the Colorado River Aqueduct and State Water Project.

**Water Stewardship Rate** – Recovers the cost of water use efficiency, water recycling, groundwater clean-up, and other local resource programs that reduce the use of the distribution system by reducing demand for imported water.

Transportation Rate

## Potential Cost Shift to Orange County

For SDCWA, a successful outcome of the litigation would mean a significantly lower cost to transfer its water through the MWD system from IID. For the remaining 25 member agencies, it would mean we would have to bear the corresponding cost that SDCWA is able to shift onto us. The result would be a cumulative cost shift onto the other 25 MWD member agencies of \$800 million over the next 20 years. The cost impact to Orange County would be \$155 million (\$ in present value). See reverse side for each Orange County member agency’s cost shift impact.



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## Potential Cost Shift to Orange County Water Providers Due to San Diego County Water Authority Lawsuit

(In Millions over the Next 20 Years)

