



April 4, 2022

Mr. Robert Hunter, General Manager
Municipal Water District of Orange County
PO Box 20895
Fountain Valley, CA 92728

Re: Coalition Comments on the Proposed MWD Budget & Rate Refinement

The undersigned agencies appreciate the opportunity to provide comments to the Municipal Water District of Orange County (MWDOC) Board of Directors and our MWDOC Metropolitan Water District of Southern California (MWD) delegation for consideration during the upcoming MWD FY 2023 & FY 2024 Budget and ongoing rate refinement process.

We understand that MWD is currently in a time of change with the proposed FY 2023 & FY 2024 transition budget and rates taking place during the development of MWD's business plan, ongoing rate refinement, and development of the Implementation Phase of the Integrated Resources Plan. The proposed rate increases of 8 percent in January of both 2023 and 2024 represent the highest annual increases in nearly a decade. These increases directly affect our financial planning. Doubling the rate increases from what was projected just a year ago puts a great burden on our communities financially at a time when we are all struggling with record inflation levels. When projections change drastically, we are the ones accountable to our customers to explain why they're seeing a sudden rise in their bills.

As our voice and representative to MWD, we look to MWDOC to keep us apprised of these significant developments that have financial impacts to Orange County and advocate on our behalf. We realize that these significant increases are primarily driven by the continued decline in water transaction forecasts and increases in the fixed costs needed to maintain the nearly \$30 billion in infrastructure. The fixed costs necessary to provide reliable water service will only continue to increase with aging infrastructure and increasing hydrologic variability due to climate change. Climate change will only put more financial pressure on MWD as swings in both available supply and variability in member agencies demands impact rate revenues. All of these factors highlight the critical need to revisit the current rate structure which was developed over many years in the late 1990s and finally implemented in 2003.

We would like to stress the importance of any changes to the rate structure to include these considerations to provide additional predictability for rates and charges. We recommend that MWDOC advocate for MWD to develop a rate structure that decouples dependence on water sales to recover necessary fixed expenses to buffer the region from the volatility of climate change and support its critical mission of ensuring reliable water service. In consideration of the impacts on member agencies,



we suggest reviewing the potential to phase in increases to fixed charges to aid in the overall goal of providing more predictable rates and charges as well as providing less year-to-year rate variability.

We request that MWDOC keep its customer agencies updated as the rate refinement process resumes and actively seek input to guide comments regionally to MWD. We look forward to continuing to work with MWDOC and are confident that you will help ensure MWD keeps pursuing its core mission "to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way."

Sincerely,

Dan Ferons, General Manager
Santa Margarita Water District

Joone Lopez, General Manager
Moulton Niguel Water District

Mike Markus, General Manager
Orange County Water District