



FILED
San Francisco County Superior Court

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10 SAN DIEGO COUNTY WATER AUTHORITY

11
12 SUPERIOR COURT OF THE STATE OF CALIFORNIA
13 IN AND FOR THE COUNTY OF SAN FRANCISCO

14 SAN DIEGO COUNTY WATER
15 AUTHORITY,

16 Petitioner and Plaintiff,

17 v.

18 METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA; ALL
19 PERSONS INTERESTED IN THE
VALIDITY OF THE RATES ADOPTED
20 BY THE METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA
21 ON APRIL 13, 2010 TO BE EFFECTIVE
JANUARY 2011; and DOES 1-10,

22 Respondents and Defendants.
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Case No. CPF-10-510830
Case No. CPF-12-512466

JUDGMENT

Judge: Hon. Curtis E.A. Karnow

Date Filed: June 11, 2010
June 8, 2012

Trial Date: December 17-23, 2013; March 30,
April 1-2, April 27-29, 2015.

1 This final judgment resolves two cases pending in this Court: *San Diego County Water*
2 *Authority v. Metropolitan Water District of Southern California et al.*, Case No. CPF-10-510830
3 (“the 2010 Case”), and *San Diego County Water Authority v. Metropolitan Water District of*
4 *Southern California et al.*, Case No. CPF-12-512466 (“the 2012 Case”).

5 Plaintiff San Diego County Water Authority (“San Diego”) filed its Petition/Complaint in
6 the 2010 Case on June 11, 2010. The Petition/Complaint raised three causes of action
7 challenging Defendant Metropolitan Water District of Southern California’s (“Met”) rates set for
8 calendar years 2011 and 2012: a First Cause of Action for Writ of Mandate, a Second Cause of
9 Action for Declaratory Relief, and a Third Cause of Action for Determination of Invalidity
10 pursuant to Code of Civil Procedure § 860 et seq. and Government Code §§ 53511 and 66022.

11 The First Amended Petition/Complaint, filed October 27, 2011, added five additional
12 causes of action: a Fourth Cause of Action for Breach of Contract, a Fifth Cause of Action for
13 Breach of the Implied Covenant of Good Faith and Fair Dealing, a Sixth Cause of Action for
14 Breach of Fiduciary Duty, a Seventh Cause of Action for Declaratory Relief re: Met’s Rate
15 Structure Integrity (“RSI”) Clause, and an Eighth Cause of Action for Declaratory Relief re:
16 Preferential Rights Calculation. On January 4, 2012, the Court sustained, without leave to
17 amend, Met’s demurrer to San Diego’s Fifth Cause of Action for Breach of the Implied Covenant
18 of Good Faith and Fair Dealing, and Sixth Cause of Action for Breach of Fiduciary Duty.

19 The operative Third Amended Petition/Complaint, filed January 23, 2013, contained a
20 First Cause of Action for Writ of Mandate, a Second Cause of Action for Declaratory Relief, a
21 Third Cause of Action for Determination of Invalidity pursuant to Code of Civil Procedure § 860
22 et seq. and Government Code §§ 53511 and 66022, a Fourth Cause of Action for Breach of
23 Contract, a Fifth Cause of Action for Declaratory Relief re: Met’s RSI Clause, and a Sixth Cause
24 of Action for Declaratory Relief re: Preferential Rights Calculation.

25 The Petition/Complaint in the 2012 Case was filed on June 8, 2012, and included three
26 causes of action challenging Met’s calendar year 2013 and 2014 rates—a First Cause of Action
27 for Writ of Mandate, a Second Cause of Action for Declaratory Relief, and a Third Cause of
28 Action for Determination of Invalidity pursuant to Code of Civil Procedure § 860 et seq. and

1 Government Code §§ 53511 and 66022—as well as a Fourth Cause of Action for Breach of
2 Contract.

3 Met answered the various petitions/complaints.¹

4 The Court coordinated the 2010 and 2012 Cases for discovery and trial,² and bifurcated
5 the bench trial. On December 4, 2013, the Court granted summary adjudication in Met’s favor on
6 the Fifth Cause of Action in the 2010 Case for Declaratory Relief re: Met’s RSI Clause.

7 The first phase of the bifurcated bench trial, on the First, Second, and Third Causes of
8 Action in both the 2010 and 2012 Cases (the “Rate Setting Challenges”), was held on December
9 17-23, 2013, with closing argument on January 23, 2014.

10 After issuing a tentative Statement of Decision and giving the parties the opportunity to
11 file objections, the Court issued a final Statement of Decision on the Rate Setting Challenges on
12 April 24, 2014. The Court ruled in San Diego’s favor on each of the First, Second and Third
13 Causes of Action, and invalidated each of Met’s System Access Rate, System Power Rate, Water
14 Stewardship Rate, and wheeling rate for both the 2011-2012 and 2013-2014 rate cycles. *Id.* The
15 April 24, 2014 Statement of Decision on the Rate Setting Challenges is incorporated herein by
16 reference.

17 The Court then held the second phase of the bifurcated bench trial on the Fourth and Sixth
18 Causes of Action in the 2010 Case, and the Fourth Cause of Action in the 2012 Case, on March
19 30, April 1-2 and April 27-29, 2015, with closing argument on June 5, 2015. After issuing a
20 tentative Statement of Decision and allowing the parties an opportunity to object, the Court issued

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22 ¹ Imperial Irrigation District answered the first three causes of action in the operative
23 Petitions/Complaints in both cases, siding with San Diego, and at its request was later dismissed
24 from both cases. Utility Consumers’ Action Network answered the first three causes of action in
25 the original Petition/Complaint in the 2010 Case, also siding with San Diego, but not the
26 operative Petition/Complaint in either case. The City of Glendale, Municipal Water District of
27 Orange County, City of Torrance, Las Virgenes Municipal Water District, West Basin Municipal
28 Water District, Foothill Municipal Water District, City of Los Angeles, and Three Valleys
Municipal Water District answered the first three causes of action in the operative
Petitions/Complaints in both cases, siding with Met. Eastern Municipal Water District and
Western Municipal Water District answered the first three causes of action in the
Petition/Complaint in the 2012 Case, also siding with Met.

² The Court informally coordinated the cases and they retain separate court files. The cases were
not coordinated formally pursuant to Code of Civil Procedure § 404.

1 a final Statement of Decision on August 28, 2015. As to the breach of contract claims (the Fourth
2 Cause of Action in both the 2010 and 2012 Cases), the Court found Met liable for breach of
3 contract and concluded that "San Diego is entitled to \$188,295,602 plus interest." Aug. 28, 2015
4 SOD at 29. As to the preferential rights claim (the Sixth Cause of Action in the 2010 Case), the
5 Court concluded that "San Diego is entitled to a judicial declaration (a) that Met's current
6 methodology for calculating San Diego's preferential rights violates § 135 of the Metropolitan
7 Water District Act; and (b) directing Met to include San Diego's payments for the transportation
8 of water under the Exchange Agreement³ in Met's calculation of San Diego's preferential rights."
9 *Id.* The August 28, 2015 Statement of Decision is also incorporated here by reference.

10 On October 8, 2015, a hearing was held on San Diego's Motion for Prejudgment Interest.
11 An Order Granting San Diego's Motion for Prejudgment Interest was entered on October 9, 2015.
12 A further hearing was held on October 30, 2015, on San Diego's Motion to Correct the October 9
13 Order. The Court ultimately awarded San Diego \$46,637,180 in prejudgment interest on its
14 breach of contract causes of action in the 2010 and 2012 Cases.

15 All claims and causes of action pending before this Court in this action have now been
16 fully and finally adjudicated.

17 **ACCORDINGLY, it is HEREBY ORDERED that:**

18 1. Final judgment is ENTERED in favor of San Diego and against Met, and all other
19 persons, on the First, Second, and Third Causes of Action in the 2010 and 2012 Cases, for the
20 reasons stated in the April 24, 2014 Statement of Decision. Met's System Access Rate, System
21 Power Rate, Water Stewardship Rate, and Met's wheeling rate, for calendar years 2011, 2012,
22 2013 and 2014, are unlawful, unconstitutional (2013 and 2014 rates only) and invalid. This
23 judgment, "if no appeal is taken, or if taken and the judgment is affirmed, shall . . . be forever
24 binding and conclusive, as to all matters [herein] adjudicated or which at that time could have
25 been adjudicated, against [Met] and against all other persons, and the judgment shall permanently

26 ³ The "Exchange Agreement" refers herein to the October 10, 2003 Amended and Restated
27 Agreement Between the Metropolitan Water District of Southern California and the San Diego
28 County Water Authority for the Exchange of Water. The Exchange Agreement was the source of
San Diego's breach of contract claims.

1 enjoin the institution by any person of any action or proceeding raising any issue as to which the
2 judgment is binding and conclusive.” Code Civ. Proc. § 870(a). A peremptory writ of mandate
3 shall issue under seal of this Court, commanding Met to set its future transportation and wheeling
4 rates in a manner consistent with the Court’s Statement of Decision, as specifically directed by
5 the writ.

6 2. Final judgment is ENTERED in favor of San Diego and against Met on the Fourth
7 Cause of Action in the 2010 and 2012 Cases. Met shall pay to San Diego damages in the amount
8 of \$188,295,602 on the breach of contract claims, plus prejudgment interest in the amount of
9 \$46,637,180 for a total judgment of \$234,932,782.00. All sums awarded herein shall accrue
10 interest at the rate of 7 percent per annum (simple interest), from the date of entry of this
11 judgment until paid.

12 3. Final judgment is ENTERED in favor of San Diego and against Met on the Sixth
13 Cause of Action in the 2010 Case. Met’s current methodology for calculating preferential rights
14 violates § 135 of the Metropolitan Water District Act. Met shall include in its calculation of
15 preferential rights San Diego’s payments under the Exchange Agreement, because such payments
16 are not payments for the “purchase of water.”

17 4. Final judgment is ENTERED in favor of Met and against San Diego on: (i) the
18 Fifth Cause of Action in the First Amended Petition/Complaint in the 2010 Case for breach of the
19 implied covenant of good faith and fair dealing; (ii) the Sixth Cause of Action in the First
20 Amended Petition/Complaint in the 2010 Case for breach of fiduciary duty; and (iii) the Fifth
21 Cause of Action in the operative Third Amended Petition/Complaint in the 2010 Case, for
22 declaratory relief re: Met’s RSI clause.

23 5. This Court will retain continuing jurisdiction over these cases.

24 6. As the prevailing party, San Diego is entitled to costs and attorneys’ fees as
25 permitted by statute and/or the Exchange Agreement. San Diego may submit a memorandum for
26 costs and a motion for an award of attorneys’ fees following entry of judgment.

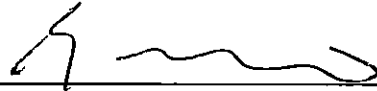
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7. This is a final judgment in these actions.

IT IS SO ORDERED.

Dated: November 18, 2015



CURTIS E.A. KARNOW
JUDGE OF THE SUPERIOR COURT