



July 25, 2019

Metropolitan Water District of So. Calif.
Attn: Jeffrey Kightlinger, General Manager
Terminal Annex
P.O. Box 54153
Los Angeles, CA 90054-0153

Subject: Potential Annexation of Rainbow Municipal Water District (RMWD) and Fallbrook Public Utilities District (FPUD) Into Eastern Municipal Water District (EMWD) for Wholesale Water

Dear Mr. Kightlinger:

We wish to bring to your attention the recent consideration by RMWD and FPUD (Districts) of their potential detachment from the San Diego County Water Authority (San Diego CWA) and annexation into EMWD for wholesale imported water service and to request guidance from Metropolitan Water District of Southern California (MWD) on matters related to that potential transfer.

The Districts approached EMWD with this concept and we have expressed our willingness to consider these annexations. To advance this effort, EMWD and the Districts are developing a Memorandum of Understanding for consideration by our boards that if approved, will outline the overall process for the annexation and the general terms for future wholesale imported water service through EMWD.

The detachment of the Districts' service areas from San Diego CWA and annexation into EMWD will require actions by both the San Diego County and Riverside County Local Agency Formation Commissions (LAFCOs) as well as specified procedures under San Diego CWA's enabling act. Additionally, the resulting modifications to San Diego CWA's and EMWD's service area boundaries would appear to trigger numerous changes in the administration of pertinent sections of the Metropolitan Water District Act, Metropolitan's Administrative Code, and other MWD-adopted rules or policies.

Board of Directors

Ronald W. Sullivan, *President* Philip E. Paule, *Vice President* Stephen J. Corona Randy A. Record 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

Based upon EMWD's review, we believe the MWD-related items listed below and possibly others would need to be implemented to support the proposed change in San Diego CWA's and EMWD's boundaries associated with the proposed RMWD and FPUD detachment and annexation:

1. Transfer of the Tier 1 supply allocation and Purchase Order obligations attributable to the RMWD and FPUD areas from San Diego CWA to EMWD;
2. Adjustments to EMWD's and San Diego CWA's Readiness-to-Serve Charge base calculation to reflect demands attributable to RMWD and FPUD;
3. Reallocation of Standby Charge revenue collected by Metropolitan within, and attributable to, the RMWD and FPUD areas from the San Diego CWA to EMWD, and verification of EMWD's authority to apply this revenue as an offset to EMWD's future Readiness-to-Serve Charge obligations;
4. Adjustments to the basis used by MWD for the application of potential shortage actions under MWD's adopted Water Supply Allocation Plan (WSAP) or other MWD board-adopted supply allocation actions;
5. Assignment to EMWD of any MWD incentive program agreements that are in place for RMWD and FPUD projects or programs that are currently administered through San Diego CWA;
6. Transfer of assessed valuation attributable to the RMWD and FPUD areas from San Diego CWA to EMWD as it pertains to determining MWD board representation and voting entitlement;
7. Transfer to EMWD of San Diego CWA's Preferential Rights attributable to the RMWD and FPUD areas;
8. Re-designation of existing San Diego CWA turnouts on MWD's feeder system as EMWD turnouts and inclusion of the assigned capacity in those turnouts in EMWD's Capacity Charge calculations;
9. Confirmation that, since the RMWD and FPUD areas are currently annexed into the MWD service area, no MWD annexation actions will be required; and
10. Transfer or reassignment of any other right or obligation established by MWD's rules and policies, including the Metropolitan Water District Act and Metropolitan's Administrative Code, that MWD determines is necessary and appropriate as part of the detachment and annexation process.

Mr. Jeffrey Kightlinger

July 25, 2019

Page 3

We respectfully request that MWD review the items listed above and provide EMWD and the San Diego CWA written guidance as to how MWD will address these issues and any others it considers necessary should the detachment and annexation move forward.

Thank you in advance for your assistance and please contact me at 951-928-6130 or jonesp@emwd.org should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Paul D. Jones II". The signature is written in a cursive style with a large, stylized "P" and "J".

Paul D. Jones II, P.E.

General Manager

c: Sandra Kerl, Acting General Manager, San Diego CWA
Tom Kennedy, General Manager, RMWD
Jack Bebe, General Manager, FPUD
Randy Record, Board Member, EMWD and MWD
Steven O'Neill, EMWD General Counsel