

**The San Diego County Water Authority**  
**MWD Rate Challenge**  
**Key Facts**

- **The San Diego County Water Authority Board of Directors has voted to file a lawsuit challenging the Metropolitan Water District of Southern California's action to set water rates for 2011 and 2012.**
- **MWD, the Water Authority's largest supplier, improperly overcharges for the transportation of water and uses that money to subsidize the cost of MWD water.** This violates California's Constitution, other state law and standard water utility practice.
- **MWD purchases more than half of its water from the State Water Project under a contract with the Department of Water Resources. Instead of treating these purchases as a cost of water, MWD allocates nearly 80 percent of the cost to charges it imposes for the transportation of water through MWD facilities.** This discriminates against the Water Authority, which is the single largest user of MWD transportation services. The Water Authority uses MWD facilities to transport Colorado River water it purchases under water conservation agreements with the Imperial Irrigation District and also from lining portions of the All-American and Coachella canals.
- **MWD's rate structure, as adopted, will cause significant financial harm to the San Diego region.** San Diego County will lose approximately \$30 million in 2011 and approximately \$34 million in 2012 through MWD's overcharges; those overcharges may grow up to \$230 million annually by 2021, as the Water Authority's water transfer agreement with the Imperial Irrigation District reaches its maximum annual quantity of 200,000 acre-feet.
- **MWD's rate structure disguises the true price of imported water and impedes cost-efficient water conservation and long-term regional and statewide water supply reliability efforts.** By charging an artificially low rate for its water supplies, MWD discourages water conservation and local agency investments in cost-effective water supply projects. These local investments could improve Southern California's water supply reliability and reduce the region's exposure to droughts or regulatory restrictions on imported water.
- **The Water Authority urged MWD's board to revise its rates to comply with state law and industry standards during the rate setting process.** The Water Authority provided MWD with information describing in detail how it was misallocating costs within its rate structure contrary to California law and industry standards. Unfortunately, MWD's board adopted the rate structure over the Water Authority's objections and without any discussion of the merits. The lawsuit had to be filed to protect the Water Authority's right to be heard in court, but we hope MWD will address our concerns during negotiations, if the stay requested by the Water Authority is granted. Sometimes, discriminatory action by a public agency can only be righted by the courts.