



Our Region's Trusted Water Leader
San Diego County Water Authority

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News Release

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Water Authority Board Votes to Dismiss Certain Legal Claims Against MWD

MWD contracts benefit San Diego County agencies

February 27, 2020 – After securing more than \$350 million in “Water Stewardship Rate” benefits for the San Diego region, the San Diego County Water Authority’s Board of Directors today voted to dismiss certain related claims against the Los Angeles-based Metropolitan Water District of Southern California.

The Water Authority Board’s decision represents a major step toward resolving the litigation, which has been pending for more than 10 years. The suits challenged water rates and charges imposed by MWD on San Diego County agencies and their ratepayers from 2010-2018. The Water Authority’s Board action will allow the parties to avoid a trial scheduled for June 2020 and clear the way for judgment to be entered in the older cases.

“Late last year, the MWD Board of Directors approved more than \$350 million for water supply projects in San Diego County,” said Jim Madaffer, chair of the Water Authority’s Board of Directors. “That was a major development, and today’s action by our Board recognizes that fact, along with other actions the MWD Board has taken recently in response to the Water Authority’s claims and prior court rulings.”

The Water Authority Board has worked for more than three years to try to settle the litigation. In the past few months, those efforts gained momentum as the two wholesale water agencies traded settlement offers. When those proposals didn’t produce an agreement, the Water Authority Board decided to take unilateral action consistent with its settlement offer.

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■ Jim Madaffer, Board Chair
San Diego County Water Authority

“Our Board carefully weighed the options before them, including whether more settlement negotiations would be productive at this time,” said Water Authority Board Secretary Christy Guerin, who is leading settlement efforts for the Board.

“While we had hoped for a comprehensive settlement, our Board ultimately decided that the most efficient path forward was to unilaterally implement major elements of our last settlement offer, including dismissal of our Water Stewardship Rate on supply claims,” Guerin said. “We wanted to acknowledge MWD’s recent board actions, both approving funding for San Diego County and stating it will no longer impose its Water Stewardship Rate on the Water Authority’s Exchange Agreement.”

Judgment in the 2010-2012 cases may now be entered promptly. In prior proceedings, the court ordered MWD to increase the Water Authority’s right to MWD water by approximately 100,000 acre-feet a year, equivalent to about twice the annual production of the \$1 billion Carlsbad Desalination Project. MWD has already complied with this ruling and adjusted its records accordingly.

The court also determined that MWD must repay the Water Authority for illegal charges MWD imposed on delivery of the Water Authority’s water under the Exchange Agreement. This ruling is expected to ultimately result in recovery of about \$80 million. In addition, San Diego ratepayers have avoided paying more than \$80 million from 2018-2022 (when MWD suspended these charges), for a total recovery on this claim of more than \$160 million. The improper charges on the Exchange Agreement would have cost local residents more than \$500 million over the life of the Water Authority’s water delivery contract.

In addition, the court ruled that MWD had illegally barred the Water Authority from receiving money from MWD’s local water supply program, even though the Water Authority was forced to pay for it. MWD lifted the ban in response to the court’s order, and ultimately approved funding for three water supply projects in San Diego County:

- \$285.6 million for the City of San Diego’s Pure Water Project
- \$23.6 million for the Fallbrook Groundwater Desalter Project
- \$42.7 million for the City of Oceanside Pure Water & Recycled Water Expansion Phase I

“While today’s Water Authority Board action does not resolve all of the issues, it is a major step forward toward that objective,” said Water Authority Board Vice Chair Gary Croucher. “This action positions us to resolve all cases as quickly as possible on terms that will continue to protect the long-term interests of San Diego County ratepayers.”

The Water Authority remains committed to work with MWD on important issues, including planned updates to MWD’s water resource and financing plans, as well as advancing other policies and programs to promote long-term water supply reliability for San Diego County and the rest of Southern California.

[Click here](#) for more information about the rate case litigation, including today’s letter from the Water Authority to MWD.

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The San Diego County Water Authority sustains a \$245 billion regional economy and the quality of life for 3.3 million residents through a multi-decade water supply diversification plan, major infrastructure investments and forward-thinking policies that promote fiscal and environmental responsibility. A public agency created in 1944, the Water Authority delivers wholesale water supplies to 24 retail water providers, including cities, special districts and a military base.



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