



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

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News Release

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Wholesale Water Rates Kept in Check for 2019

Rate package highlights value of Water Authority's long-term supply strategy, financial management and litigation

Wholesale water rates adopted today by the San Diego County Water Authority Board of Directors include some of the smallest increases in the past 15 years due to successful litigation against the Los Angeles-based Metropolitan Water District of Southern California and strategic use of financial reserves. They also highlight a historic shift in water costs: The Water Authority's independent and highly reliable supplies from the 2003 Colorado River Quantification Settlement Agreement are now less expensive for the region than supplies from MWD, and that difference will grow in the years ahead.

On Jan. 1, 2019, rates charged to the Water Authority's 24 member agencies will increase by 0.9 percent for treated water and 2.9 percent for untreated water. Key factors influencing the 2019 rates include regional water demand that's expected to remain below earlier projections;

increasing deliveries of independent and more reliable Colorado River water supplies from the Imperial Irrigation District; and lowered transportation costs from MWD because of a 2017 Court of Appeal ruling that favored the Water Authority on several key points.

That court decision netted the Water Authority about \$15 million in savings in 2019 by forcing MWD to stop charging its Water Stewardship Rate on the Water Authority's independent Colorado River water supplies transported by MWD.

Those Colorado River supplies – secured by the Water Authority through the 2003 QSA – were initially more expensive than water from MWD. However, starting in 2018 the Water Authority's QSA supplies are less expensive than MWD supplies by \$44 per acre-foot. In 2019, the difference will grow to \$68 per acre-foot, and in 2020 QSA supplies are projected to be cheaper by \$121 per acre-foot. In addition, the Water Authority's QSA supplies are more reliable than MWD supplies, which have been reduced by drought conditions twice in the past decade.

“Residents and businesses will see the benefits of the Water Authority's successful lawsuits against MWD reflected in 2019 rates, along with the fruits of our historic investments in supply reliability,” said Mark Muir, chair of the Water Authority's Board of Directors. “Our successful efforts in court saved millions of dollars for the region, and our supply diversification strategy has produced cheaper and more reliable water for the region than we could get through MWD.”

Prudent financial management by the Water Authority also helped keep 2019 rates near the low end of the agency's long-term projections. The Water Authority plans a draw of approximately \$18.4 million from its Rate Stabilization Fund, which was created in 1990 to help avoid rate spikes, especially those driven by reduced water sales, such as what the San Diego region is experiencing today.

As part of the rate proposal, Water Authority Board adopted an updated policy to reduce the target balance of the Rate Stabilization Fund from approximately \$147 million today to about \$90 million in 2021 and following years. Carollo Engineers, a nationwide water consulting firm hired by the Water Authority, recommended the change because engrained regional water-use efficiency practices mean water sales are not likely to drop as sharply as they did in the past. By using those reserves to defray some costs over the next two years, the fund balance will reach the new target range.

The 2019 rates and charges package was developed in conjunction with a comprehensive cost-of-service study by Carollo, which concluded that the Water Authority's methodology is in full compliance with Board policies, state law and industry standards. The 2019 rate proposal also was designed to ensure debt-coverage ratios maintain the Water Authority's strong credit ratings and minimize the cost of borrowing money for construction projects. The Water Authority has credit ratings of AAA with a stable outlook from S&P, AA+ from Fitch, and Aa2 with a stable outlook from Moody's.

The Water Authority will charge its 24 member agencies the municipal and industrial rate of \$1,617 per acre-foot for treated water, or \$14 more than in 2018. For the average San Diego County household, that's an increase of about 62 cents per month in the cost of wholesale water.

The Water Authority will charge \$1,341 per acre-foot for untreated water in calendar year 2019, or \$38 more than in 2018. For the average San Diego County household, that's an increase of about \$1.45 per month in the cost of wholesale water.

The actual figures will vary by member agency based on each agency's fixed-charge allocations. Each member agency will incorporate costs from the Water Authority into the retail rates it charges to residents, businesses and institutions.

For more information about the Water Authority's 2019 rates, go to page 21 of the June Board packet at

www.sdcwa.org/sites/default/files/Board/2018_06_28FormalBoardPacketSEC_0.pdf.

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The San Diego County Water Authority sustains a \$220 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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