



January 28, 2021

Honorable Bob Nelson, Chair and
Members of the Board of Supervisors
County of Santa Barbara
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101

**Re: Central Coast Water Authority Request to Approve
California Department of Water Resources State Water
Project
Water Supply Contract Amendments No. 20 and 21**

Board of Directors

Tobe Plough
President

Kenneth Coates
Vice President

Brian Goebel
Director

Cori Hayman
Director

Floyd Wicks
Director

**General Manager
and Board Secretary**
Nick Turner

Dear Chair Nelson and Members of the Board of Supervisors (BOS):

This letter provides comments by the Montecito Water District (MWD) concerning the Central Coast Water Authority (CCWA) request of the BOS to approve California Department of Water Resources State Water Project Water Supply Contract Amendments No. 20 and 21. As you are aware, the request is currently scheduled for hearing by the BOS on February 2, 2021. **MWD requests the BOS approve the referenced Amendments without conditions** for the reasons set forth in this letter.

MWD is a County Water District, organized and existing under Water Code §§30000-33901 and has served the Montecito and Summerland communities since 1921 and 1995, respectively. MWD's mission is to provide an adequate and reliable supply of high-quality water to the residents of Montecito and Summerland, at the most reasonable cost. MWD is specifically authorized to do any act necessary to furnish sufficient water in the District for any present or future beneficial use. [Water Code §31022]. The MWD is a participant and member of CCWA, a Joint Powers Agency, comprised of thirteen water purveyors, responsible for the management and operation of deliveries of State Water Project water to Santa Barbara County.

Attendant to its mission, and as authorized by its enabling authority, MWD has undertaken a number of important initiatives related to the management of water in its service area. These initiatives include: (1) purchasing supplemental water during declared drought conditions; (2) acquiring groundwater banking rights and banking surplus water in anticipation of periods of future drought; and (3) entering into a 50-year water supply agreement with the City of Santa Barbara for participation in the City's desalination facility, a local and nearly 100% reliable water supply.

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During drought conditions in 2016, and in response to a declared water shortage emergency, the District participated in CCWA's supplemental water purchase program. The MWD's connection to the State Water Project (SWP) for deliveries of supplemental water purchased on the spot market served as a lifeline, providing over 80% of the District's water supply in 2016. Without this lifeline, fostered by the ability to transfer water, MWD would not have been able to meet critical water supply needs.

In 2017, after having experienced the six consecutive driest years on record for Santa Barbara County, the MWD purchased groundwater banking rights in California's Central Valley in the Semitropic Groundwater Banking & Exchange Program (Semitropic). With the improvement of hydrologic conditions in 2018 and 2019, the consequent increase in local surface water supplies enabled the MWD to bank surplus SWP water in Semitropic for use during future periods of below-average rainfall or drought conditions. The MWD currently has banked 2,000 acre-feet (AF) in Semitropic. The ability to bank water in this manner is, again, predicated on the ability to transfer SWP water.

On June 25, 2020 the MWD approved a 50-year water supply agreement with the City of Santa Barbara, backed by the City's Charles E. Meyer Desalination Plant. This agreement provides the MWD with 1,430 AF of water annually irrespective of hydrologic conditions. This new local water supply is nearly 100% reliable and will help mitigate the impact of ongoing and future regulatory, environmental and climatic challenges affecting the MWD's current water sources. Deliveries will commence on January 1, 2022 and will drastically improve the MWD's long-term water supply outlook. Also in June of 2020, after a comprehensive rate-making process, the MWD passed new rates for its customers. The new rates, which reflected the desalinated water component, balanced the costs of introducing this new source of supply with the MWD's mission of delivering water to its customers at a reasonable cost.

Upon execution of the water supply agreement with the City of Santa Barbara and the passage of new rates, MWD recognized that under certain hydrologic conditions, it may have excess SWP water available for transfer outside its service area. MWD retained WestWater Research to evaluate opportunities to market surplus SWP supplies and develop a strategy to generate additional revenues via short- and/or long-term water transfers. These revenues would offset the costs of desalinated supply and mitigate the potential financial impact to MWD ratepayers. MWD continues to explore these opportunities, for the benefit of its ratepayers and in accordance with its rate objectives.

The County Board of Supervisors is currently considering a request by CCWA to approve the execution of Amendment 20 (Contract Extension) and Amendment 21 (Water Management Amendment) to the SWP Contract. As a condition of executing Amendment 21 Santa Barbara County Flood Control and Water Conservation District seeks to add a new requirement for the execution of a "revenue sharing and water sales agreement".

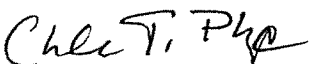
The proposed "revenue sharing" concept would impose a fee on every transfer of SWP water held by each water entity in the County. Such a fee would be levied directly

upon CCWA participants, including but not limited to MWD, thereby making the SWP water even more expensive for our customers and/or negating any potential financial benefits of a sale of excess supply. Unlike the MWD rate process, which complied with California requirements, the County has cited no authority to impose this new “revenue sharing” proposal and has provided no information about the basis for the fee.


The Water Management Amendments are specifically designed to give retail water providers – like MWD – the tools required to address changing water supply circumstances. The need for such tools is exemplified by the initiatives taken by MWD for the management of its supply, as previously detailed above, in the face of changing water supply conditions.

Based on the foregoing information, MWD requests that the Santa Barbara County Board of Supervisors authorize the Santa Barbara County Flood Control and Water Conservation District to **execute both Amendment No. 20 and Amendment No. 21 without conditions**. Imposing such draconian conditions on the execution of the Amendments would be contrary to MWD initiatives, counter to MWD rate objectives, and would cause irreparable harm and damages to MWD customers who, of course, are County constituents as well.

Sincerely,



Tobe Plough, Board President
Montecito Water District



Nicholas Turner, General Manager
Montecito Water District