

ENVIRONMENT

The price of San Diego's 'drought-proof' water could spike a whopping 14 percent



Large pipes pump water from the desalination plant in Carlsbad about 10 miles east to a distribution plant in San Marcos. Inflation and other factors are driving up the cost of the region's drought-proof supplies. (Nelvin C. Cepeda/The San Diego Union-Tribune)

San Diego County wholesaler grapples with the sharply rising cost of providing Colorado River and other water. Calls made to offload costly desal supplies.

BY JOSHUA EMERSON SMITH

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San Diegans are facing a tidal wave of rate increases in coming years for so-called drought-proof water — driven in large part by new sewage recycling projects coupled with the rising cost of desalination and importing the Colorado River.

While many residents already [struggle to pay](#) their utility bills, the situation now appears more dire than elected leaders may have anticipated.

The San Diego County Water Authority recently announced that local water agencies should brace for a [14 percent spike](#) on the cost of wholesale deliveries next year. While water managers have ways to ease that pain for residents and businesses, at least in the short term, higher bills are likely unavoidable. Although, by how much will largely depend on a customer's district.

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Officials on the wholesaler's 36-member board are anxiously exploring ways to temper such double-digit price hikes, even contemplating the sale of costly desalinated water produced in Carlsbad.

“I heard several gasps in the room as the rate amount came up,” General Manager Sandra Kerl said during a recent water authority board meeting. “Trust me, I’ve had those same reactions and feelings as we’ve been going through this process. We’re doing everything possible to pull levers to come back to you with a lower rate.”

Some officials appeared to be caught off guard by the bad news. The water authority started its rate-setting procedure two months early this year at the request of the oversight panel.

“Is this a reflection of the cost of reliability, our rates going up?” asked Tim Smith, a civil engineer representing the Otay Water District.

“Director Smith, I think that is spot on,” Kerl responded. “As challenging as this rate environment is, we have reliable, consistent water for this region. And for these investments, we do have higher rates.”

San Diego’s cost of wholesale water continues to skyrocket

Regional officials calculate the average “all-in” rate that retail agencies pay for an acre foot of water to track cost fluctuations. The actual cost of wholesale water to an agency depends on a number of factors, most notably the total volume of water purchased.

Year ▼	All-in treated water per acre-foot	Percent change from previous year
2024	\$2,194.00	13.7%
2023	\$1,929.00	7.3%
2022	\$1,797.10	5.2%
2021	\$1,708.89	0.6%
2020	\$1,698.66	4.6%
2019	\$1,624.13	0.9%
2018	\$1,609.13	5.1%
2017	\$1,531.49	5.4%
2016	\$1,452.52	9.7%
2015	\$1,324.02	3.9%
2014	\$1,274.50	2.6%
2013	\$1,242.66	9.1%
2012	\$1,139.09	8.7%
2011	\$1,047.90	13.9%
2010	\$919.94	20.3%
2009	\$764.92	13.3%
2008	\$675.00	8.8%
2007	\$620.30	3.4%
2006	\$599.89	9.3%
2005	\$549.10	6.3%
2004	\$516.77	1.9%
2003	\$507.12	-3.6%
2002	\$526.00	1.0%
2001	\$521.00	0.0%
2000	\$521.00	0.0%

Figures for 2023 and 2024 are projections.

Source: San Diego County Water Authority

Joshua Emerson Smith & Karthika Namboothiri / The San Diego Union-Tribune

The water authority is holding a [series of public hearings](#) in the run-up to adopting its roughly \$1.8 billion two-year budget this summer. Workshops are scheduled in April and May, with approval of the financial blueprint slated for late June.

Not all of the region's two dozen retail water agencies will be impacted equally. Rates fluctuate based on several factors, including the size of an order and whether supplies are treated prior to delivery. Many agencies have rate stabilization funds to blunt the impact of sudden spikes.

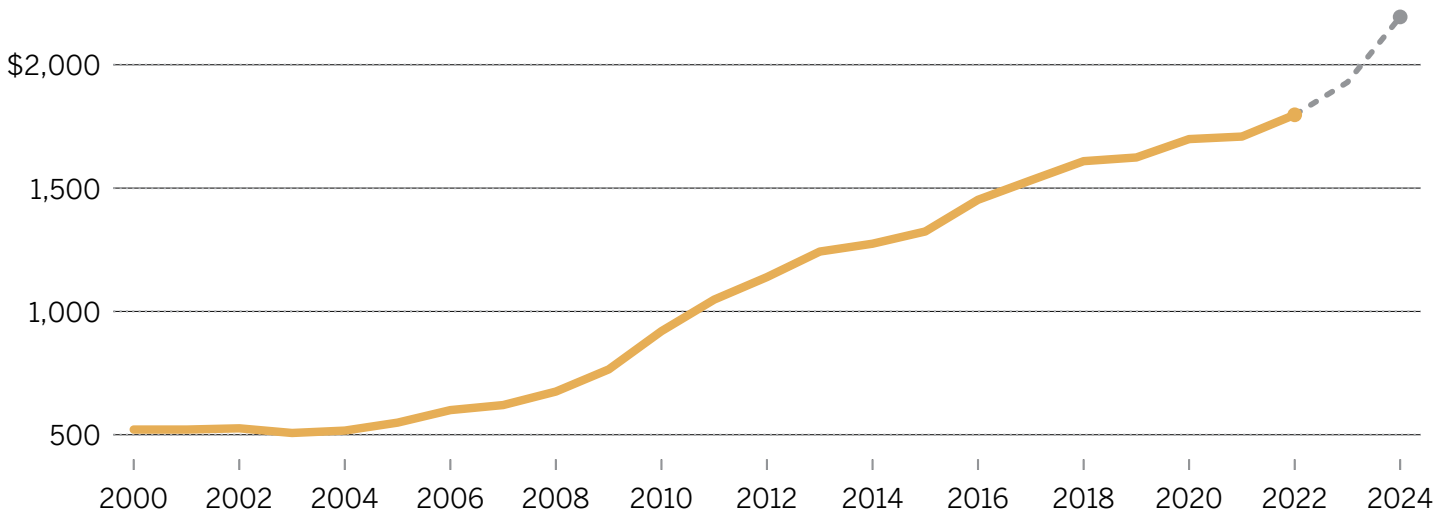
“Obviously, 14 percent is a killer for us at retail agencies,” Dan McMillan, who represents the Helix Water District, said at the recent hearing. “Basically, that 14 percent flows through to our customers as a 7 percent pass-through increase. That sort of crowds us out when we need money, so hopefully you can work on that.”

Some water providers are more shielded from the rate hikes because they have local supplies, such as the Sweetwater Authority's groundwater basin. Others, such as the city of San Diego, get as much as 90 percent of their supply from the wholesaler.

In response to questions about the proposed cost increase, San Diego Mayor Todd Gloria's staff said in an email: “The city recognizes this is a significant rate increase proposal from the county water authority and needs additional information to fully analyze the rationale for the increase and what action might be taken to reduce it.”

Retail agencies across San Diego brace for surging water rates

The cost of wholesale water per acre-foot has more than tripled over the last two decades.



Figures for 2023 and 2024 are projections.

Source: San Diego County Water Authority

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A perfect storm

The situation is being driven by a storm of unfortunate factors, according to water authority officials. That includes not only the rising cost of energy needed to transport water from the Sierra Nevada and Rocky Mountains, but a crumbling dam, an underused treatment facility and plummeting demand.

The water authority, for example, expects to lose about \$2.8 million a year through the next decade and beyond as a result of [ongoing repairs](#) to Lake Hodges Dam. The agency would usually be able to generate hydroelectricity at the century-old facility, but the construction requires that reservoir levels remain too low to operate the system.

The water authority also plans to shell out an additional \$11 million next year to pay for treated water from its upstream wholesaler, the Metropolitan Water District of Southern California, or MWD. That's because its Twin Oaks Valley Water Treatment Plant north of San Marcos has been forced to frequently shutdown.

“At certain points of the year, we don’t have enough flow going into that facility, so we take treatment from other sources,” said Pierce Rossum, rate and debt manager for the water authority.

city of San Diego has identified areas in the Lake Hodges Dam wall that need to be repaired and sealed. The water level of the rvoir must be lowered to access those areas. The dam, built as a multiple arch design, was completed in 1918, and purchased by :ity in 1925. (John Gastaldo/For The San Diego Union-Tribune)

Meanwhile, the agency expects to pay an additional \$25 million to \$30 million annually through 2028 as a result of rate increases from MWD. The Los Angeles-based agency, which not only sells wholesale supplies to San Diego but transports the region’s Colorado River water, largely blamed the need for rate hikes on inflation and soaring power costs.

Perhaps the most [confounding factor](#) adding to the water authority’s increased rates

next year comes from plummeting demand. The less water the wholesaler sells, the more it must charge for water in order to cover a bevy of fixed costs, most notably water contracts, debt payments and routine maintenance.

The wholesaler has seen its sales decline for years as a result of unprecedented drought conservation widely embraced by Californians. Recent storms are projected to continue to suppress demand. But the agency's situation could get significantly worse as local recycling projects from Oceanside to San Diego to El Cajon come online in the next few years, diminishing the need for wholesale supplies.

Take or pay

The water authority said it expects to sell roughly 400,000 acre-feet this year, down from a peak of 660,000 acre feet in 2007. (An acre-foot is enough water to cover an acre a foot deep, or 325,851 gallons.)

Next year, the agency predicts water sales will fall to 360,000 acre-feet. Some say that's dangerously low because the wholesaler is locked into what are known as take-or-pay contracts for desalinated and Colorado River water through 2045 and 2047 respectively.

The water authority may be forced to buy water it doesn't need if demand drops to around 328,000 acre-feet a year. Reservoirs could be pushed past their limits as managers attempt to balance monthly deliveries with ever-smaller retail orders.

Kerl of the water authority said she's not too concerned about such a scenario. Her agency has projected that demand will eventually bounce back with economic and population growth.

"We are not going to go below our contracted amounts," she told the Union-Tribune.

e Whitsett Intake Pumping Plant is the start of the 242-mile Colorado River Aqueduct

Whitsett Intake Pumping Plant is the start of the 242-mile Colorado River Aqueduct, which transports water from Lake Havasu to Mathews in Riverside County. This plant is the first of five pumping stations that carries water over mountains and through the desert, and is a major source of water for Southern California. (Irfan Khan/Los Angeles Times)

However, others aren't so sure.

Water recycling efforts, most notably Pure Water San Diego, could reduce demand for wholesale water in the region by more than 55,000 acre-feet before the end of the decade, according to agency projections.

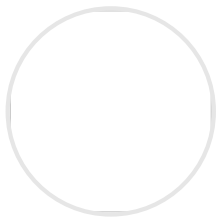
At the same time, the rising cost of water will likely encourage even more conservation, said Jack Bebee, general manager of Fallbrook Public Utilities District.

"They've got to get smaller as everyone else is getting bigger," he said of the wholesaler. "Or else, we'll be stuck paying for both."

To address the situation, some officials have floated the idea of selling desalinated water to Arizona. However, for that to work, the water authority would have to strike a somewhat complicated deal to bank water in Lake Mead.

“Solutions are in progress, but it’s going to take some time,” said Jim Madaffer, a longtime political insider who represents the city of San Diego on the water authority board.

Meanwhile, the water authority has a rate stabilization fund of about \$100 million to help soften rate hikes. The agency has drawn down that backstop by about \$60 million since 2018 and expects to use another \$18 million in the new budget.



Joshua Emerson Smith