



September 8, 2022

The Honorable Erick L. Larsh
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

SUBJECT: South Coast Water District Responses to the Orange County Grand Jury Report – Water in Orange County Needs “One Voice” - Findings and Recommendations

Dear Judge Larsh,

Enclosed are the South Coast Water District’s (SCWD) responses to the Findings (F1-F6) and Recommendations (R1 & R2) of the 2021-2022 Grand Jury Report – Water in Orange County Needs “One Voice”. SCWD acknowledges and appreciates the time and effort that the OC Grand Jury put into analyzing the complexities and nuances of water issues and comprehensive water management in Orange County.

In summary, SCWD believes that the status quo is working well for Orange County retail water providers and SCWD does not currently see a need for consolidation. As with any other industry, the water governance, programs, and policies can always be improved. SCWD believes that both the OCWD and MWDOC Boards (and staff) are doing an excellent job at consistently improving wholesale water resources in Orange County.

FINDINGS

F1 - A singular water authority for Orange County’s wholesale water supply likely would result in further opportunities at the local, State, and federal levels in legislation, policy making and receiving subsidies and grants.

Response: DISAGREES WHOLLY

SCWD disagrees that having a single water authority would result in further opportunities at the local, state, and federal levels in legislation, policy-making, and receiving subsidies and grants. SCWD has worked to develop our own resources in legislation, policy-making, and for the pursuit of grants that are appropriate for our agency. South Coast Water District has been successful in securing grants for a variety of projects including a Prop. 84 recycled water grant in the amount of \$1.25 million, a WaterSmart grant for an Automatic Metering Infrastructure pilot project in the amount of \$300,000, grants for the proposed Doheny Ocean Desalination project totaling \$32.4 million, and most recently, a \$3.5 million Federal earmark grant for a

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recycled water main project. Furthermore, SCWD has also been successful in developing legislation that will benefit our ratepayers, such as AB 1752 (authored by Assemblywoman Petrie-Norris) that now allows SCWD to deliver the Doheny Ocean Desalination project as a Design-Build-Operate (DBO) project and still be eligible for state funding (significantly minimizing risk to our ratepayers). Additionally, SCWD works closely with MWDOC, regional water agencies, and others in the industry to identify and pursue joint opportunities when the synergies make sense.

F2 - The current fragmented water system structure and operations provides challenges as it relates to development of new interconnected infrastructure as well as maintenance of existing systems.

Response: DISAGREES WHOLLY

SCWD disagrees that “current fragmented water system structure and operations” is the source of the challenges related to developing interconnected infrastructure. Every structure and operations will have challenges with connecting both new and existing infrastructure as that is the nature of infrastructure. Interties, operations, and maintenance agreements already exist and the Joint Regional Water Supply System that SCWD is contracted to operate is a prime example of how well the existing structure currently works. Additionally, MWDOC is the catalyst for reliability and emergency planning (i.e., Metropolitan Water District (MWD or MET) shutdowns and Water Emergency Response Organization of Orange County (WEROC) for emergencies) for South County agencies, and this structure has been working well.

F3 - There is a great disparity between the North/Central and South Orange County water sources, management, and operations carried out by OCWD and MWDOC.

Response: DISAGREES PARTIALLY

A disparity in management and operations is not apparent to SCWD – OCWD manages groundwater, and MWDOC manages imported water; by their nature, they have different roles and responsibilities. SCWD’s perspective is that MWDOC has been effective in understanding and representing the needs of all its member agencies. There is a disparity in water sources as the groundwater supply available to North/Central County is typically not available to South County agencies. South Orange County therefore has to look at water sources outside of groundwater such as expanding recycled water, ocean desalination and possible ocean water augmentation. MWDOC has provided leadership to the South County agencies in studying new and emerging water sources.

F4 - South Orange County has many smaller retail water districts that lack a formal centralized leadership. Notwithstanding this lack of structure, South Orange County retail water districts have displayed effective collaboration when dealing with one another.

Response: AGREES

SCWD agrees that formal centralized leadership does not exist within South County however, effective collaboration has allowed South County agencies to work well with each other. Examples of this effective collaboration includes the Joint Regional Water Supply System (JRWSS), South Orange County Wastewater Authority (SOCWA), and South County Agencies Group which is composed of water districts in South Orange County and holds regular meetings to discuss regional water issues, drought and conservation mandates, and issues related to Metropolitan Water District.

F5 - Orange County Water District is a recognized worldwide leader in groundwater resource management and reclamation. Its leadership, innovation, and expertise can be further utilized to serve all of Orange County in developing additional innovative and beneficial programs.

Response: DISAGREES PARTIALLY

SCWD doesn't believe that substantive value will be added from OCWD being "further utilized to serve all of Orange County in developing innovative and beneficial programs". SCWD believes that OCWD is already being properly utilized where their expertise is most relevant, groundwater recharge and supply. SCWD does not believe that OCWD's responsibilities should be expanded to South County because of their lack of experience with specific South County issues. Furthermore, there is a lack of similar robust groundwater aquifers in South County, which is where their expertise lies. SCWD acknowledges that OCWD is a worldwide leader in groundwater resource management and would welcome OCWD's partnership in programs that are within their areas of expertise.

F6 - Orange County currently does not have a countywide coordinated policy regarding water conservation, which results in difficulty when complying with any new State-mandated conservation regulations.

Response: DISAGREE PARTIALLY

While Orange County does not have a countywide policy regarding water conservation, SCWD has been a significant participant in MWDOC water conservation and water loss programs, which has positively contributed to SCWD having one of the best water loss

and conservation levels in the region and the State. Hence, SCWD has not experienced any difficulties in complying with any new State-mandated conservation regulations. MWDOC has been effective in leading and supporting the promotion, engagement, and implementation of State-mandated conservation regulations with its member agencies. A recent example of MWDOC providing water conservation assistance to its Member Agencies was their introduction of a new product called the “flume” which allows residents/ratepayers to download an app and follow real-time water usage at their residence. SCWD agreed to be part of the trial for this product (provided at a very low cost to the ratepayer). The reception from our ratepayers was overwhelmingly positive and the program sold out in hours. In addition to assistance received from MWDOC, each agency retains their own conservation expertise and implements their own policies, programs, and outreach tailored to their geographical area and district needs.

RECOMMENDATIONS

R1 - By January 2023, Orange County wholesale water agencies should formally begin analysis and collaboration towards forming a single wholesale water authority or comparable agency to operate and represent wholesale water operations and interests of all imported and ground water supplies. (F1, F2, F3, F4, F6)

Response: WILL NOT BE IMPLEMENTED

While the subject analysis by the OCGJ is appreciated, the analysis has not provided any compelling evidence to SCWD as to why a single, groundwater and imported water wholesale water authority would be beneficial to retail water agencies or in the best interest of all Orange County water customers. SCWD is of the opinion that the current structure under MWDOC is highly effective, efficient, and appropriate for our needs. The status quo has supported SCWD in continuously providing high-quality drinking water and exceptional service to our customers and we see no need to completely overhaul a structure that is working.

R2 - Any future "One Voice" consolidated Orange County wholesale water authority should have Directors that examine and vote on issues considering the unique needs of all water districts. (F1, F2, F3, F4, F6)

Response: WILL NOT BE IMPLEMENTED

SCWD agrees that “any future consolidated Orange County water authority should have Directors that examine and vote on issues considering the needs of all water districts”. As a unique coastal South County agency, it would be important that our specific coastal challenges and customer needs are represented and met to ensure our

continued high level of service and environmental stewardship. Each Orange County retail agency has unique topography, geography, water sources, challenges and focal points that would be extremely difficult for a single, over-arching water authority to address.

In conclusion, SCWD doesn't believe that there is the need for a "One Voice" consolidated Orange County wholesale water authority. The significant differences in water issues between North and South Orange County (e.g., dependency on imported water, etc.) lends itself to the success of the current structure. For example, the intricacies of a coastal retail water district, like SCWD, that manages varied topographies, coastal hazards, erosion, wildland fire interfaces, and seasonal peaks in water demand and sewage flow, without having a robust local groundwater supply, are vastly different from a North Orange County and/or inland retail water agency. MWDOC has been constructive in representing our needs with MWD and supportive with our overall water operations, water resources/conservation programs, emergency response, and more.

Lastly, SCWD believes that both the OCWD and MWDOC Boards and staff, in the existing structure, are doing an excellent job at consistently improving respective wholesale water resources in Orange County. We also appreciate the significant effort made by the OC Grand Jury in gathering the subject information and providing their in-depth analyses.

Sincerely,

A handwritten signature in blue ink that reads "Rick Erkeneff". The signature is written in a cursive style and is followed by a horizontal line extending to the right.

Rick Erkeneff
Board President, South Coast Water District