

September 4, 2009



Moulton Niguel Water
WATER QUALITY AND SERVICE ARE #1

The Honorable Kim Dunning
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Regarding: Response To May 18, 2009, Grand Jury Report: **“Paper Water” – Does Orange County Have A Reliable Future?**

Dear Honorable Judge Kim Dunning:

The following is Moulton Niguel Water District’s (MNWD) response to the above-captioned report. Our response is structured to correlate with the report’s directives:

Finding F.1: There is inadequate coordination between local land-use planning agencies and local water supply agencies, resulting in a process that fails to fully engage the issues.

Response: MNWD Wholly Disagrees With This Finding.

MNWD is over 98% built out, and thus this finding is Not Applicable to the District.

Finding F.1(a): Water agencies have tended to avoid interfering with or participating in growth-management decisions.

Response: MNWD Partially Disagrees With This Finding.

Historically and today, MNWD has had the responsibility of providing water for the approved land uses. Water agencies, such as MNWD that are California Water Districts, are not land planning agencies. This is by design. Planning being performed at the local, regional and state levels is aimed at using our existing water supplies more efficiently and developing new supplies and systems to accommodate the current and future needs of the District’s residents and businesses, and to improve supply reliability. To the extent required by Law, the District must also comply with the requirements of SB 221 and SB 610.

Finding F.1(b): Cities and the County have tended to not critically evaluate the limitations of the water agencies’ supply projections.

Response: MNWD Partially Disagrees With This Finding.

See Response to F.1(a). Also, please note that MNWD is currently over 98 percent” built out”. Furthermore, the District prepares and updates of our Urban Water Management Plan every five years, and the five cities that we provide service to are allowed to review and comment upon this document.

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Finding F.2: California's looming water supply crisis receives very little, if any, expressed concern from the public in comparison to the numerous other environmental issues presented during development project reviews.

Response: MNWD Agrees With This Finding.

Finding F.2(a): Orange County's citizens and interest groups do not appear to grasp the seriousness of the water supply situation or the complexity and urgency of the necessary solutions.

Response: MNWD Agrees With This Finding.

MNWD has engaged in outreach efforts to educate its customers about the seriousness of our water situation for a number of years. During the past year, MNWD has greatly increased its efforts by sending out additional customer letters (in addition to our monthly "WaterLines" publication), providing "door hangers" to each customer's home, and enhancing our Web site to highlight the need to conserve and provide tips to assist customers with conservation.

Finding F.2(b): Several recent, substantial water supply awareness efforts are underway (e.g. the O.C. Water Summit) that show promise, but appear targeted to audiences that are already informed.

Response: MNWD Agrees With This Finding.

While the O.C. Water Summit was targeted at the Business Community, for those that attended, it was clear that significant new information and ideas were conveyed, beyond the knowledge that the Business Community already possessed.

Finding F.3: LAFCO is the agency charged with facilitating constructive changes in governmental structure to promote efficient delivery of services. To this end, LAFCO is conducting a governance study of MWDOC which is the designated representative for nearly all the Orange County retail water agencies, acting on their behalf with their surface water supplier Metropolitan.

Response: MNWD Agrees With This Finding.

Finding F.3(a): There are a number of points of governance disagreement between MWDOC and several of its member agencies. This is creating an impediment to the on-going effectiveness of these agencies in critical areas of Orange County's water supply management.

Response: MNWD Wholly Disagrees With This Finding.

While there are points of disagreement on Governance, this is not considered by MNWD to be an impediment to Water Supply Management.

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Finding F.3(b): The current disagreement is a distraction from the greater good of the agencies working toward Orange County's water future.

Response: MNWD Wholly Disagrees With This Finding.

While there are points of disagreement, this is not a distraction, and the ultimate resolution of these areas of disagreement will be positive for Orange County's water future.

Finding F.3(c): The stakeholders in LAFCO's study failed to meet their March 11, 2009 deadline for LAFCO's public hearing on this matter. Continued delays are unacceptable.

Response: MNWD Partially Disagrees With This Finding.

Relative to the schedule for the LAFCO proceedings, MNWD is simply a stakeholder, and is not in the position of establishing a schedule for the proceedings. Overall however, we feel it is important that the proceedings be productive, even if this means that the original schedule is not achieved.

Finding F.4: Orange County is uniquely fortunate to have a vast, high-quality, well-managed groundwater basin serving its north geographical area. However, in its south reaches, it has an equally large, high-growth area with virtually no available groundwater resources.

Response: MNWD Agrees With This Finding.

Finding F.4(a): The difference in groundwater availability creates a "haves versus have-nots" situation that is conducive to inherent conflicts.

Response: MNWD Partially Disagrees With This Finding.

MNWD agrees that some agencies have groundwater resources while others do not, but we do not feel that it "is conducive to inherent conflict". Rather, Finding F.4(b) acknowledges that this should, and already has, lead to planning and implementation of joint partnering projects that can benefit both the basin and non-basin agencies. A prime example of this is the interconnection between Irvine Ranch Water District and the South County Agencies through both the Joint Regional Water Supply System and the Allen-McColloch Pipeline. Future projects are possible that will benefit the basin agencies on a day-to-day basis, and the South County agencies during planned or emergency outage conditions.

Finding F.4(b): The difference in groundwater availability provides opportunities for responsible participants to develop and construct long-term solutions which will benefit the entire County.

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Response: MNWD Agrees With This Finding.

See response to F.4(a).

Recommendation R.1: Each Orange County municipal planning agency, in cooperation with its respective water supply agency, should prepare for adoption by its city council, a dedicated Water Element to its General Plan in conjunction with a future update, not to exceed June 30, 2010. This document should include detailed implementation measures based on objective-based policies that match realistic projections of the County's future water supplies. These objectives, policies and implementation measures should address imported supply constraints, including catastrophic outages and incorporate the realistic availability and timing of "new" water sources such as desalination, contaminated groundwater reclamation and surface water recycling. (Findings F.1, F.1(a), F.1(b), F.2, F.2(a) and F.2(b))

Response: This Recommendation Requires Further Analysis.

Our agreement with this recommendation is qualified, since it is not directly applicable to MNWD, which is not a land use planning agency, nor does it have the power to be one. However, the District would cooperate with any of the five cities that we serve in the preparation of a Water Element for their General Plan, using our Urban Water Management Plan as a basis. It needs to be recognized, however, that a Water Element of a General Plan will not include detailed implementation measures.

For new development of greater than 500 units, a Water Supply Assessment must be completed in accordance with existing law. Since MNWD is over 98 percent built out, no developments of this magnitude are anticipated in the future.

The Integrated Regional Water Management Planning process that is currently underway is also considered to be an effective approach to addressing water supply issues, as identified in the Grand Jury Report.

Recommendation R.2: Each Orange County retail and wholesale water agency should affirm its responsibility to develop new, additional, innovative public outreach programs, beyond water conservation and rationing programs, to expose the larger issues surrounding water supply constraints facing Orange County. The objective should be to connect the public with the problem. The outreach efforts should entail a water emergency exercise that simulates a complete, sudden break in imported water deliveries. The exercise should be aimed directly at the public and enlist widespread public participating on a recurring basis beginning by June 30, 2010. This recommendation may be satisfied by a multi-agency exercise, but the inability to coordinate such an event should not preclude the individual agency's responsibility. (Finding F.2, F.2(a) and F.2(B))

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Response: This Recommendation Has Been Implemented.

MNWD feels that while this may have been the case in the past, it has not been for lack of effort by MNWD or other water districts. For well over 20 years, the District has included its monthly "Waterlines" publication as an insert in its monthly billing insert, and has frequently, particularly over the last five years, had articles highlighting issues relating to "California's looming water supply crisis". We feel that public awareness of the situation is steadily improving in MNWD, and feel that the District's Outreach efforts have been a key factor in this increase in public awareness.

In 2008, the District adopted a Water Supply Conservation plan, and began implementation with the declaration of a Level 2 Water Supply Alert in April 2009. As part of this implementation, which is aimed at a District wide conservation of 20percent, separate mailings were made to communicate the plan to each of the District's 54,000+ ratepayers. "Door hangers" were also placed on each customer's door, again to communicate the plan. We feel that these and other efforts related to conservation have been very effective, as the District's consumption is over 13% less than last year.

While the majority of the District's customers have a strong conservation effort, others respond more strongly to the "price signal", which would be given by higher water rates. Since water is typically the lower priced utility that many of our customers pay, it is a difficult "sell" for them to understand that there is a looming crisis.

MNWD has also adopted a Water Supply Storage Policy. This Policy outlines the District's goal of providing an adequate supply of water for a 31-day period in the event that Metropolitan's treated water deliveries are disrupted due to planned or emergency situations.

On November 13-18, 2008, MNWD, with other water agencies, participated in the Golden Guardian exercise. The Golden Guardian was a full-scale exercise scenario that focused on a simulated catastrophic 7.8 magnitude earthquake along the southern portion of the San Andreas Fault.

Recommendation R.3: Each MWDOC member agency should reaffirm to LAFCO that it will assign the resources necessary to expediently resolve regional governance issues. While the subject study is being facilitated by LAFCO, the options are with the agencies to decide what is best for all. Once conclusions are reached, the parties need to agree quickly and, hopefully, unanimously to adopt a course of action. (Finding F.3, F.3(a), F.3(B) and F.3(c))

Response: This Recommendation Required Further Analysis.

It is agreed that there are a number of points of governance disagreement between MWDOC and the South County Water Agencies, however is disagreed that this is a significant distraction from the greater good. A key issue is the lack of any control over the MWDOC budget and the programs that MWDOC has embarked upon, as the MWDOC Board is elected by the public, and

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the water districts pay MWDOC budget through an annual meter charge and a surcharge per acre-foot of water delivered. The South County water agencies have prepared a White Paper to address the issues, and this is proving to offer a mechanism for more meaningful dialog than has taken place over the last several years.

Relative to the schedule for the LAFCO proceedings, MNWD is simply a stakeholder, and is not in the position of establishing a schedule for the proceedings. Overall however, we feel it is important that the proceedings be productive, even if this means that the original schedule is not achieved.

Recommendation R.4: Each Orange County retail and wholesale water agency should affirm its commitment to fair-share financial responsibility in completing the emergency water supply network for the entire County. The entire County should be prepared together for any conditions of drought, natural or human-caused disaster, or any other catastrophic disruption, WEROC should commence meeting of all parties, to facilitate consensus on an equitable funding/financing agreement. (Finding F.4, F.4(a) and F.4(B))

Response: This Recommendation Has Been Implemented.

This recommendation is already being implemented. The Water Emergency Response Organization of Orange County (WEROC) has been established to conduct emergency planning and preparedness at the regional level and response to disaster type events that impact the water and wastewater agencies within the County of Orange. WEROC participates with regional and statewide forums as well. MNWD also conducts an annual emergency preparedness drill with simulated emergency situations presented to District Management to prepare for actual emergency events, when they ultimately happen.

MNWD appreciates the opportunity to respond concerning the report. Please contact the District in the event further information or explanation is required.

Sincerely,

MOULTON NIGUEL WATER



Robert C. Gumerman, PhD., P.E.
General Manager

cc: Moulton Niguel Water District Board of Directors