

December 22, 2008



Moulton Niguel Water
WATER QUALITY AND SERVICE ARE #1

**The Honorable Nancy Wieben Stock
Presiding Judge
Orange County Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701**

**RE: RESPONSE TO MAY 22, 2008 GRAND JURY REPORT: "WATER BUDGETS,
NOT WATER RATIONING"**

Dear Honorable Judge Nancy Wieben Stock:

Following is Moulton Niguel Water District's (MNWD) response to the above-captioned report, which response is structured to correlate with the report's directives.

Finding F-1:

Opportunities for further water conservation exist especially with regard to landscape watering.

Response: MNWD agrees with the Findings.

Finding F-2:

Conservation pricing, or tiered pricing, with a fair and reasonable base allotment, followed by tiers of higher rates, can be an effective tool to motivate further conservation.

Response: MNWD agrees with the Findings.

Recommendation R-1:

Continue to emphasize methods and availability of tools that assist the customers in understanding weather-based irrigation practices by:

- **Providing a hotline for assisting the public with landscape irrigation information**

Response: The recommendation has been implemented. MNWD provides information and responds to questions with regard to such methods and availability of tools via a telephone line, its website and employees dedicated to this specific purpose, including on-site customer service. The District's Board of Directors has recently approved the implementation of a full-time Water Conservation Coordinator position.

a public agency at:
27500 La Paz Road, Laguna Niguel, CA 92677-3489
Mailing Address: P.O. Box 30203, Laguna Niguel, CA 92607-0203
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- **Providing a countywide soil texture map on the MWDOC website**
- **Developing an Orange County specific water calculator on the MWDOC website**

Response: The recommendation requires further analysis is to determine if MWDOC is the appropriate agency to provide this information. The level and cost of MWDOC's services is currently the subject of a study by the Orange County Local Agency Formation Commission (LAFCO). It is expected this study will enable the recommendation to be evaluated by local retail agencies such as MNWD. With respect to whether MWDOC is the appropriate agency to provide this information, or should it be provided at the local agency retail level remains to be determined. It should be recognized that Orange County is comprised of a variety of microclimates due to the coastal influence and different elevation levels. Consequently, irrigation demands are substantially different by region and it may be more efficient and thus less cost to the public for each local agency to provide and maintain information at the level desired by the local agency regarding local climate conditions.

Response R-2a:

Develop monthly water allocations for each customer based on both of the following:

- **A per person indoor water allotment that satisfies basic needs**
- **An outdoor water allotment that applies the weather-based method over the customer's landscape area**

Response: MNWD currently has a tiered rate structure and is in compliance with BMP#11- Conservation Pricing. MNWD has also hired a consultant to investigate the District converting to a budget weather based tiered rate structure, and is also conducting an information technology strategic plan which will evaluate billing systems which are capable of accommodating this rate structure. We believe that a budget based tiered rate structure is an excellent way to conserve water and is fair to customers. The District's rate consultant in conjunction with the information technology consultant will recommend to staff what hardware and software modifications will be necessary, and that will help us determine staffing needs, cost and so forth. Water Allocations: 1) Are more prescriptive than pricing tiers; 2) may be more difficult to justify with respect to the California Constitution requirements of Proposition 218 regarding, in particular, penalty tiers;

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3) require substantially higher staffing levels; 4) require ongoing information that drives costs higher; and, 5) result in more rigid demand-hardening in event of imported or other water supply reductions.

Recommendation R-2b:

Develop a tiered-pricing structure with the first tier bases on individual customer water allocation priced at a commodity rate, and subsequent tiers priced significantly higher to encourage conservation. The pricing shall be structured in a manner that will preclude the necessity of price increases as a result of reduced water use.

Response: MNWD has already hired a consultant, Red Oak to evaluate our current five tier rate structure. We expect to implement the new rate structure by July 09. The consultant has been instructed to comply with the Grand Jury request.

Recommendation -2c:

Modify water bills to clearly explain customer monthly allotment and monthly water usage.

Response: Please see the response for the Recommendations R-2a and R-2b concerning the recommendation to modify water bills to explain the monthly allotment. With respect to monthly water usage, MNWD currently provides this information on customers' water bills, showing a comparison with the prior month and also the same month in the prior year.

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