

July 11, 2008

The Honorable Nancy Wieben Stock
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

RE: Response to 2007-2008 Grand Jury Report "Water Budgets, Not Water Rationing"

Dear Judge Wieben Stock:

As a water district that relies primarily on imported water supplies, Moulton Niguel Water District has been a long-time proponent of water efficiency and the wise use of water resources.

As early as 1965, Moulton Niguel began a progressive program in recycling wastewater to be used for alternate purposes such as irrigation. With its commitment to recycled water and the investment in recycled water facilities, Moulton Niguel is able to supply nearly 25% of its customers water needs from the Recycled Water Program rather than utilizing valuable, imported drinking water. Today, an average of 8.54 million gallons of recycled water is delivered each day, saving a like amount of potable water each day.

Moulton Niguel Water District has been an active participant in encouraging water conservation throughout our service area. Moulton Niguel is one of the original signatories of the Memorandum of Understanding Regarding Urban Water Conservation in California and participates in the Best Management Practices reporting overseen by the California Urban Water Conservation Council. In addition, the District has provided a number of opportunities for its commercial and residential customers to participate in water efficiency programs. These include:

- Water Education School Program
- Residential Landscape Training
- Landscape/Water Management Classes
- Commercial, Residential, Industrial and Public Sector Rebate Programs
- Landscape Performance Certification Program

Response to "Water Budgets, Not Water Rationing"

Moulton Niguel agrees with the finding F-1 of the report and concurs that opportunities for further water conservation exist, especially with regard to landscape watering. Moulton Niguel further supports the finding F-2 that 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.

a public agency at:

27500 La Paz Road, Laguna Niguel, CA 92677-3489
Mailing Address: P.O. Box 30203, Laguna Niguel, CA 92607-0203
949/831-2500

Moulton Niguel's response to the Grand Jury's recommendations follow.

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*
- *Providing a countywide soil texture map of the MWDOC website*
- *Developing an Orange County specific water calculator on the MWDOC website*

Response

Moulton Niguel Water District currently offers a number of resources to assist customers in understanding and implementing weather-based irrigation practices including landscape classes, incentives for installing SmarTimers, irrigation scheduling tools, and a variety of informational material via the website and customer newsletter.

Implementing a hotline featuring individualized irrigation assistance requires further analysis to evaluate the most cost-effective way to provide this service. A regional partnership with neighboring agencies, utilizing the Municipal Water District of Orange County (MWDOC), or contracting with a third-party service provider will be evaluated.

Currently, the MWDOC website does not include a soil texture map or a water calculator. Moulton Niguel will work with MWDOC to complete this recommendation and report back to the Grand Jury no later than November 22, 2008.

Recommendation 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 customers' landscaped area*

Recommendation R-2b

Develop a tiered-pricing structure with the first tier based 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.

Recommendation R-2c

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

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Response to R-2a-c

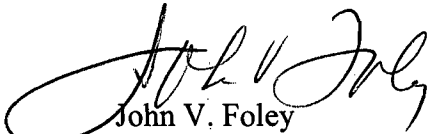
Moulton Niguel currently implements a tiered rate structure and is in compliance with BMP #11 – Conservation Pricing. The District's Board of Directors directed staff to retain a consultant to perform a rate study to review and propose modifications to the existing rate structure. The merit of a budget based tiered rate structure in our service area will also be evaluated. A RFP is currently in development to select a consultant. The Moulton Niguel Water District anticipates completing the study by the end of the year.

In addition to the rate study, further analysis is required to identify what would be necessary to implement an allocation based rate structure including identifying hardware and software modifications to the District's billing system, determining the process for developing accurate customer allocations, evaluating additional staffing needs to collect allocation data, respond to customer inquiries, variances and appeals, and the corresponding costs associated. Legal counsel will also be needed to ensure compliance with proper rate development and noticing requirements.

We expect that we will be able to report back to you prior to November 22, 2008, with an update on the status of our rate study and with additional input regarding the direction we anticipate taking. Thank you for the opportunity to respond to the Grand Jury report. Please let us know if there is anything further that you require.

Sincerely,

MOULTON NIGUEL WATER DISTRICT


John V. Foley
General Manager

cc: Moulton Niguel Water District Board of Directors