



October 9, 2018

Mr. Michael Markus General Manager
Orange County Water District
18700 Ward Street
Fountain Valley, CA 92708

RE: MWDOC 2018 Orange County Reliability Study
OCWD Letter of September 28, 2018

Dear Mr. Markus

Thank you for your letter of September 28th. We appreciate your quick preliminary comments on the 2018 Reliability Study after the Member Agency Workshop of September 20, 2018. The comment period will remain open until October 26, 2018, thereby allowing all parties five weeks after the workshop to review and comment. We anticipate having the study back in the Planning and Operations Committee on November 5, 2018.

Let me address each of your comments in order.

1. MWDOC Member Agencies have not been fully engaged in the development of this study as previously occurred with the earlier 2016 version.

This is true as the 2016 and 2018 studies are fundamentally different. In 2016, we were developing methodologies and tools which were then applied to one scenario (moderate climate change with no WaterFix). Also theoretical portfolios of projects were assembled to demonstrate different ways to reach water reliability. As you state, “numerous workshops were held with the MWDOC Member Agencies to jointly discuss and evaluate the assumptions ultimately used by the model.” Coming out of the 2016 study, we had gained significant insight and developed the methods and tools for reliability analysis and scenario planning. Two major comments we received on the 2016 study were that it was (a) too restrictive in terms of planning scenarios in that only one was carried forward for final analysis, and (b) the study’s usefulness for decision making was limited in that specific projects could not be objectively compared. The 2018 study was designed to address these issues. The tools developed in 2016 were applied to four scenarios that were designed to bookend likely conditions of climate change and regional project investment. All four scenarios included the WaterFix becoming operational in 2035.

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Additional, specific projects were then objectively evaluated to meet Orange County's water supply and system (emergency) reliability needs. MWDOC worked closely with Member Agencies (including OCWD) and project proponents to verify assumptions, yield, and financial information for the projects. The emphasis of this consultative effort was to make sure the information and analysis were correct. MWDOC will continue to entertain input, suggestions and collaboration discussion with its agencies regarding the study results and any updates that may be required from time to time.

2. Numerous assumptions also need to be made to project future water supply conditions and future water demands and those assumptions should be fully discussed and vetted with your Member Agencies.

I agree that future water demand and supply conditions should be discussed. Part of the discussion occurred during the 2016 study. For example, the demand projections in 2018 are essentially those of 2016, and extensive discussions were held as part of that study. Discussions with Member Agencies were held to identify and quantify future water supply projects. The discussions with OCWD resulted in the final expansion of the GWRS system being included in the supply baseline. However, other groundwater basin projects were not included in the project analysis based on your specific request. The September 20, 2018 Member Agency workshop was designed to facilitate this same discussion along with the stated offer to meet with each individual Member Agency to answer questions and discuss the study.

3. MWDOC should not be ranking and in effect telling its Member Agencies what future water supply projects they should be implementing for the following reasons: (four bullet points follow)

MWDOC is not telling our Member Agencies what projects implement. We make this very clear at several points in the presentation. What the 2018 study does do is develop a range of reliability needs under different scenarios, details information on several prominent projects, evaluates those projects, and presents MWDOC's findings based on those analyses. As clearly stated, each agency makes its own decisions and can come to other decisions based on their own priorities (please refer to slide #44 of the 2018 Reliability Study PowerPoint presented in the September 20, 2018 Workshop, that notes "Agencies can take different paths to be reliable" and it outlines optional paths within that slide). The MWDOC Board of Directors clearly has the right, if not the obligation, to request both the analysis and the ranking to make their own informed decisions.

- a. No one can predict water supplies and demands with specificity and certainty.

I agree; and especially when the planning period is greater than 30-years,

but that does not mean we should do “nothing” with respect to future planning. Therefore, the 2018 study uses scenarios to evaluate likely ranges of water supplies and demands. While we cannot predict with certainty, we can develop regional ranges for planning to better inform us regarding potential future impacts. As various proponents seek to move projects forward, we are often asked, “will MET be reliable” and what will MET water cost over time. The study provides both answers. Our working concept is that it is better to move forward with reasonable and workable estimates than without any estimates.

- b. It is up to the governing body of each water agency in Orange County to decide what projects they desire to develop and/or participate in.

I agree that it is up to the governing body of each water agency to decide what projects they desire to develop. Although I think you would agree with me that there are some problems with project opt-out provisions. We make your exact point related to demand curtailment; that it is up to each agency to decide “what level of demand curtailment” works in their service area. In the 2018 study, we assumed that with demand hardening a reasonable working limit was for agencies to ask their customers to reduce water use by 10% every 20 years. But, like you, we make the point that a utility could decide that it is an acceptable level of service to request a 25% reduction every three-years. This would have the result of requiring significantly less new supply development. However, it is highly probable that customer support would be limited for the size and frequency of those reductions. But it is the individual utility’s decision.

- c. Each MWDOC member agency governing body is responsible for allocating financial resources in the best manner possible for its individual agency. Having the MWDOC Study in effect telling your Member Agencies how they should spend their money is not appropriate.

Again, we agree with the responsibilities of each agency, and that also applies to MWDOC. In your opening paragraph you write “the study provides a good analysis of future water supply needs for the region that MWDOC Member Agencies can use in evaluating potential future projects and water supply strategies.” That is exactly what the study was designed to do; not dictate Member Agency actions.

- d. The various potential future water supply projects and programs being evaluated are in different stages of development and can be different in nature. Additionally, the nature of the projects can be different. Some are storing water. Some are creating new annual supplies, while another project relies upon capturing intermittent rainwater.

Absolutely. Because the projects are in different stages of development and provide different benefits, we closely reviewed costing assumptions and contingencies. There is no guarantee that any project will be constructed. Therefore, the study looks at what projects could substituted for projects that do not move forward. Because the projects are different in nature, we considered how different types of projects could meet specific needs and integrate into a comprehensive system.

In your closing paragraph you request that any sections of the MWDOC Study ranking or recommending projects be removed. I have passed this request on to my Board of Directors.

Thank you for your ongoing review and active participation.

Sincerely,



Robert J. Hunter
General Manager

cc: MWDOC Board of Directors
MWDOC Member Agencies
OCWD Board of Directors
OCWD Producers