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March 30, 2022

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

Subject: Orange County Water District's Priorities for MWDOC at Metropolitan Water District

Dear Mr. Markus,

Thank you for your February 24 letter listing OCWD's priorities for MWDOC regarding water resource policy issues at the Metropolitan Water District (MET). Additionally, our meeting on March 16, where you provided a clarifying discuss on these priorities was very beneficial.

We welcome and encourage our member agencies to express how we can better assist their needs both at MWDOC and with MET. As your agency also interacts with a number of groundwater producers, when considering requests we must balance the needs and water policy priorities of all our member agencies; it is in our mission that we advocate for ***all of Orange County***.

We agree that the health of the Orange County Basin plays an integral role in both Orange County's reliability as well as the greater MET region. Therefore, we support a productive collaborative approach among MWDOC, OCWD, and the cities of Anaheim, Fullerton and Santa Ana as it relates to MET issues. In fact, that collaborative approach is the purpose of a number of the monthly meetings: the Metropolitan Orange County MET-Manager's meetings attended by the three OC Cities and OCWD; our monthly Board Joint Workshop attended by all of our member agencies; our monthly MWDOC member agency managers meeting; and the quarterly Joint MWDOC and OCWD Board Planning meeting.

The list of policy issues that your letter outlines are timely. We anticipate many of these issues will be discussed in the various upcoming planning meetings at MET among them the IRP Implementation Phase II, Rate Refinement Review, and the MET Business Model Review. Due to the unique circumstances and history involving each policy issues, it is best to address each one individually:

Reestablish a Permanent Treated In-Lieu Groundwater Replenishment Program

We agree that treated In-lieu Groundwater Replenishment is an effective method of enhancing imported water recharge during surplus conditions. Orange County has a long productive history of using MET In-Lieu water, to not only increase replenishment deliveries, but also build groundwater storage in preparation for dry periods. Additionally, this serves as a benefit to MET when they are faced with limited storage capacity during surplus conditions on the State Water Project and have the potential to lose water to the ocean. For these reasons, MWDOC strongly advocated for MET to bring back the treated In-Lieu Program in 2017 and encouraged MET to offset the treatment cost of imported water to increase the deliveries of replenishment water to groundwater basins throughout its service area. In that year, OCWD and the basin agencies purchased over 55,000 AF of In-lieu imported water. Due to the success of

that program, in 2019 MET approved a permanent Cyclic “Offset” In-Lieu Program and added this as part of its Water Surplus and Drought Management (WSDM) actions to be utilized during surplus conditions.

MWDOC is open to discussions with OCWD and MET, to improve this permanent In-Lieu Program and broaden its availability and participation level. During the IRP Implementation Phase, MET will be seeking ideas and program modifications that can enhance local reliability. As you mentioned, the In-lieu Replenishment Program is worth reviewing in order to maximize its utilization during surplus conditions. Therefore, we look forward to discussions with OCWD to improve this program’s operational flexibility while providing a regional benefit to MET.

Establish a Reduced Untreated Water Storage Rate during Surplus Supply Conditions

As we are currently experiencing, Climate Change is altering the way we plan for and manage our supplies. The dry years are becoming more prevalent and consistent, whereas wet periods are becoming less frequent yet more intense. Such variations are driving much of the approach within the MET 2020 IRP scenario planning process; which is opening up the conversation on how MET should modify its water management policies and programs to properly adapt to such changing conditions. For example, during unique surplus conditions, how MET can encourage storage in local groundwater basins and surface reservoirs to secure every acre-foot of water when available. As suggested, one method is to review the rate structure and see how, under wet years, agencies can be encouraged to purchase above their normal annual amounts to increase local storage. It must be noted, any program or rate modification must demonstrate a regional benefit and ensure no financial detriment to MET, such as a future loss of sale.

As mentioned above, we anticipate an opportunity during the IRP Implementation Phase to discuss how we can design such a program. In addition, during MET’s Rate Structure Review we can assess whether such a program could generate additional sales during wet years to help meet, or possibly exceed, MET’s budgeted revenues. Thus, stabilizing and improving the financial health of MET while increasing local storage. We plan to further discuss, with OCWD as well as other MET member agencies, ways to incentivize local storage during those unique surplus conditions where MET’s storage capacity is full and water can be lost.

Obtain MET’s Approval of an Agreement for Pumping Potable Local Supplies into MET’s Orange County Distribution System

Improving supply and system reliability in Orange County, in particular for South Orange County, is paramount for MWDOC and a key priority at MET. The recent board action at MET, to allow the introduction of local water into a MET pipeline during an emergency, when MET cannot deliver imported water beyond seven days, is a significant step and one that does not come lightly. It requires pre-arranged agreements with all agencies involved, operational coordination, and water quality inspection. Although it is challenging to have such an agreement in place, MWDOC is fully supportive of this emergency plan because of its importance to ensure the continuous flow of water to South County. In fact, MWDOC asked MET to be their first member agency to develop the necessary agreements for this pilot program, ensuring Orange County will be prepared if/when any emergency may arise.

However, your letter suggests working with MWDOC and MET to utilize “unused capacity” for both “groundwater and/or ocean desalination water”. This implies seeking MET’s approval for introducing local resources during non-emergency conditions; and if so, this is a different and separate water policy issue that is not ripe for discussion at MET at this time. Moreover, based on recent discussions with the groundwater producers, there does not appear to be consensus on what type of deliveries and under what conditions (emergency or non-emergency). Therefore, it is very difficult for MWDOC to engage in a discussion with MET on non-emergency local deliveries when there is neither concurrence among the Orange County water agencies nor the terms and conditions in place for the MET pilot program. It would be best to engage with MET when all parties are on the same page and the terms and conditions are understood.

Therefore, we will continue to work with OCWD and the participating agencies on the development of the agreements, operational conditions, and water quality impacts to allow the introduction of local resources during an emergency. In addition, we will include OCWD in our discussions on the operational and water quality issues with MET. However, we suggest to postpone any discussions with MET regarding non-emergency deliveries until

we have more clarity and consensus among the Orange County agencies and have the pilot program agreements in place. This is a long term policy issues that requires a number of water policy, institutional, and regulatory discussions among MET and the MET member agencies before actual terms can be considered.

Active Participation at MET

A core function of MWDOC is to be the representative of the ratepayers and member agencies of our service area at MET. We strive to ensure we properly advocate for the needs and services of all our member agencies at MET. To best serve the entire region, we host a number of monthly meetings to communicate the issues, actions and upcoming activities at MET in order to receive feedback and direction from both our Directors and member agency representatives.

To accomplish your request for active participation with MET on program and operational interaction, MWDOC is open to assist in building a closer working relationship with OCWD and MET. As a start, we can schedule a meeting with senior staff from MWDOC, MET, and OCWD to ensure your suggestions are directly conveyed on a modify permanent In-lieu program, the concept of a surplus water rate program to encourage storage, and the progress of securing the necessary agreements for delivering local water during emergencies. Moreover, MWDOC is willing to coordinate any additional meetings with MET on topics related to OCWD's operations. Further, we will make every effort for OCWD to be involved in any MET discussion directly related to OC Basin groundwater issues.

As for the monthly MET caucus meeting, the purpose and intent of this meeting is for the MET Directors, representing a number of Inland as well as Orange County MET member agencies, to directly discuss and ask questions to MET senior management on the upcoming MET Board and committee agendas. They do not discuss OC groundwater basin issues nor issues that "directly impact the District [OCWD] operations". This particular closed caucus meeting would do little to enhance OCWD's relationship with MET on District operations. If the intent of your attendance request is to merely listen to the meeting, we can assure you that all key issues and messages discussed are covered at our aforementioned monthly meetings. We do our utmost to make sure our member agencies and Directors are well informed of all key MET issues and activities. That said, if OCWD sees other opportunities for MWDOC to improve our communication with our member agencies on MET issues, we welcome your suggestions. Our ultimate goal is to improve our working relationship with our member agencies and ensure you receive the best representation at MET.

We hope this information and our responses address your letter. We understand this will be an ongoing process, and we are confident that through our upcoming discussions with MET we will build a more productive working relationship between our agencies.

Sincerely,



Robert J. Hunter
Municipal Water District of Orange County
General Manager

Cc: MWDOC Member Agencies
Cities of Anaheim, Fullerton, and Santa Ana
OCWD Board of Directors
MWDOC Board of Directors
MWDOC MET Directors