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ORANGE COUNTY WATER DISTRICT

ORANGE COUNTY'S GROUNDWATER AUTHORITY

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February 6, 2023

Mr. Harvey De La Torre
Assistant General Manager
Municipal Water District of Orange County
18700 Ward Street
Fountain Valley CA 92708

SUBJECT: Water Resources Policy Issues with the Metropolitan Water District

Dear Mr. ^{Harvey}De La Torre:

To foster collaboration between our agencies, the Orange County Water District (OCWD or District) has previously transmitted letters to the Municipal Water District of Orange County (MWDOC) highlighting the groundwater policy issues that are of importance to OCWD. The District has prepared a similar letter for calendar year 2023, and we respectfully request your cooperation and assistance in addressing these issues and priorities with the Metropolitan Water District of Southern California (MWD).

The listed policy issues below have a major impact on the management of the OCWD groundwater basin and groundwater basins throughout Southern California. Given our shared service areas, we envision and would like your support for a collaborative process between OCWD, MWDOC, the cities of Anaheim, Fullerton, and Santa Ana in working on each of these issues with MWD.

With the effects of climate variability causing more extreme wet and dry year cycles on both the State Water Project (SWP) and Colorado River systems, the ability to capture and store water during very wet years both now and in the future is critical to Southern California. Groundwater production is a key in securing regional reliability and it is important that MWD continue to develop programs that allow groundwater basins access to excess water when it is available.

It is also critical that MWDOC's MWD Directors have a strong voice at MWD to help solve the challenges that face MWD today which include development of strategies regarding its rate structure, Delta Conveyance, and decreasing Colorado River supplies.

Listed below are areas OCWD would like MWDOC to pursue at MWD:

Reestablish a Permanent Treated In-lieu Groundwater Replenishment Program: An effective and efficient way to substantially enhance imported water recharge during wet periods is through treated in-lieu replenishment, which does not require the physical recharge of water. By having groundwater basin agencies reduce planned groundwater pumping and take excess treated imported water to meet demands, groundwater basins are in effect storing water supplies for future use. The treated in-lieu program that was developed for FY2017-18 under MWD's cyclic storage program is a great example of how excess imported water supplies during wet years can be efficiently brought into Southern California's groundwater basins. In wet years, the availability of a treated in-lieu replenishment program combined with traditional untreated imported surface replenishment deliveries has a multiplier effect on the amount of imported water that can be captured and stored in MWD's service area. Moreover, substantial amounts of water can be stored in a very short period of time with no additional infrastructure investment. The end result is increased resiliency under more severe hydrologic variability and augmentation of storage "put" capacity.

Although in April 2019 MWD approved a permanent cyclic in-lieu program, referred to as a "cost-offset credit", the program is marginally effective. Specifically, the program is only available under restrictive conditions and the excess water must be placed within a MWD-controlled cyclic account, rather than being available for general groundwater basin replenishment. OCWD suggests MWDOC work with other MWD member agencies, the MWD staff and Board to develop and establish a broader treated in-lieu program that is not tied to MWD's cyclic program. The program could be exercised by MWD to encourage in-lieu replenishment and storage in groundwater basins across MWD's service area during very wet years when there is supply that is surplus to MWD's base demands and storage needs. Such a program would provide both operational flexibility and an important tool for MWD in the future to help ensure that excess imported water supplies are never lost to the region.

Establish a Reduced Untreated Water Storage Rate During Surplus Supply Conditions: As noted above, encouraging the storage of water during wet conditions that can be used during dry years addresses multiple resiliency and local supply augmentation objectives. In this regard, establishing a reduced untreated water storage rate that MWD would implement at its discretion during wet conditions would incentivize increased local storage. This program would only be available when MWD was at risk of relinquishing excess imported water supplies due to storage limitations on its own system. To maximize the opportunity for capturing these supplies, MWD should also consider making the reduced untreated supply rate available for both groundwater replenishment and surface water storage. Groundwater basin agencies and those agencies with surface reservoirs near MWD untreated water lines with available capacity to take the water would receive an untreated rate reduction. Use of this stored water in future years by the agencies would offset demands for imported water and in turn allow MWD to rebuild its own storage. This program would give MWD another fundamental water management tool to facilitate the storage of excess imported water supplies during wet

periods. The program could also encourage groundwater agencies to develop and invest in recharge facilities to take this water when it is available.

Creation of a Groundwater Committee at MWD: Because groundwater issues are a key component in MWD's water reliability future, OCWD would like MWD to consider having a Groundwater Committee where ideas can be openly discussed as to how Southern California's groundwater basins can be better used, and programs developed in a manner beneficial to both MWD and the basins.

A great example of this relates to the current situation with the Colorado River. Due to severely reduced elevations in Lake Mead, the requirements of the Colorado River Drought Contingency Plan (DCP) and pending actions by the USBR to modify the 2007 Interim Operating Guidelines, there is uncertainty as to MWD's ability to withdraw water stored in its Intentionally Created Surplus (ICS) storage account in Lake Mead should elevation levels in the lake continue to fall. MWD and the Southern California region could have mitigated this uncertainty and potentially improved supply reliability in the region by storing surplus Colorado River supplies in Southern California and better utilizing unused storage space in Southern California's groundwater basins.

Obtain MWD's Approval of an Agreement for Pumping Potable Local Supplies Into MWD's Orange County Distribution System: An extensive imported water pipeline network has been constructed in Orange County to distribute MWD supplies to various agencies. Agencies in some portions of the County can receive service and benefit from multiple MWD pipelines and treatment plants. However other areas of South Orange County (SOC) rely on a single MWD pipeline and treatment plant. These SOC areas have a water reliability gap that could be closed if MWD was amenable to the usage of its facilities.

As has been demonstrated over the past few years, flows in MWD pipelines have generally declined. Substantial unused capacity exists in these pipelines which have been partially funded by Orange County rate payers. To substantially improve both system and supply reliability for the County, OCWD and MWDOC have periodically worked together to conceptually developed projects that would take advantage of the unused capacity in MWD's Orange County system to transport groundwater and/or ocean desalination water to various retail water agencies that would lack direct access to those supplies. Unfortunately, we have been unable to develop final terms and conditions with MWD for potential projects that would beneficially use these MWD facilities.

Some progress on this issue has been made insofar as the MWD Board approved a program whereby agencies can use MWD's pipelines during very limited, dire emergency conditions or events when MWD water is unavailable for conveyance.

To advance this further, OCWD would like to work with MWDOC and MWD towards negotiating an agreement to implement an emergency program for the use of certain MWD Orange County conveyance facilities. We understand MWDOC has initiated work with MWD on this issue. Because OCWD would be the supplier of the water and would

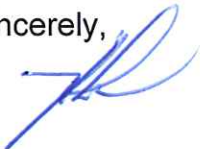
be responsible for water quality and operational issues, we would like to participate with MWDOC in discussions with MWD.

Active participation at MWD: As a final priority, OCWD would like MWDOC to actively assist us in developing a much closer working relationship with MWD. OCWD has several programs and a variety of direct interests with MWD. These programs involve large financial commitments and require coordinating OCWD's operations with MWD's operations. In previous years, OCWD's interaction with MWD staff was both encouraged and supported by MWDOC. OCWD staff was invited to MWD Member Agency managers meetings, special work group meetings discussing issues impacting groundwater basins, and the monthly MWD caucus meeting (in which we understand Rancho California Water District, a large member agency of Eastern MWD and Western MWD, currently participates). Attending these meetings allowed OCWD to directly interface with key MWD staff which led to the development of close business relationships that greatly enhanced the coordination of key programs.

Unfortunately, in recent years, just the opposite has been occurring. OCWD's direct interaction with MWD staff has been greatly reduced at MWDOC's behest. This approach can keep OCWD out of important meetings and conversations that directly impact District's operations. While we understand and support the need for MWDOC to be aware of OCWD's activities at MWD, given the size, scope, and breadth of OCWD and its activities with MWD, having MWDOC as an intermediary at times seems unfitting. As such, we respectfully request your support for reestablishing more direct, unfettered access and working relationship between OCWD and MWD.

Thank you for your consideration of these important requests. Please call me at your convenience if you would like to discuss.

Sincerely,



Michael R. Markus, P.E., D.WRE, BCEE, F.ASCE
General Manager

Cc: OCWD Groundwater Producers
Bcc: OCWD Board of Directors