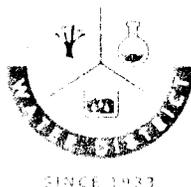


DIRECTORS

PHILIP L. ANTHONY
KATHRYN L. BARR
DENIS R. BILODEAU, P.E.
SHAWN DEWANE
JAN M. FLORY
CATHY GREEN
VINCENT F. SARMIENTO, ESQ.
STEPHEN R. SHELDON
HARRY S. SIDHU, P.E.
ROGER C. YOH, P.E.



ORANGE COUNTY WATER DISTRICT
ORANGE COUNTY'S UNIFIED WATER UTILITY AUTHORITY

OFFICERS

President
SHAWN DEWANE

First Vice President
CATHY GREEN

Second Vice President
ROGER C. YOH, P.E.

General Manager
MICHAEL R. MARKUS, P.E., D.WRE

August 21, 2014

Glenda Sanders
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

and

Orange County Grand Jury
700 Civic Center Drive West
Santa Ana, CA 92701

**SUBJECT: MAY 28, 2014 GRAND JURY REPORT "SUSTAINABLE AND RELIABLE
ORANGE COUNTY WATER SUPPLY: ANOTHER ENDANGERED
SPECIES?"**

Dear Judge Sanders:

As required by the May 28, 2014 Grand Jury letter the Orange County Water District (District or OCWD) has reviewed the report "Sustainable and Reliable Orange County Water Supply: Another Endangered Species?"

OCWD applauds and supports the Grand Jury's efforts to investigate and report on water supply and reliability issues. Unfortunately too many of our residents and businesses do not appreciate or understand the complicated issues the water community must manage and address on a daily basis to ensure sufficient water supplies are always available. This report will help inform the community of those issues and some of the choices that lay before us.

The Grand Jury has requested that the District respond to Findings F.2, F.3, F.5, F.7 and F.9, and Recommendations R.1 – R.5. The original Findings and Recommendations are provided below, along with the District's response in **bold** type.

FINDINGS (2,3,5,7 and 9)

As to each Grand Jury finding, the responding person or entity shall indicate one of the following:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

F.2. The BDCP is an expensive, long-term, (\$25 billion in capital and operations over 50 years) plan yet to be approved or funded project to restore the Bay Delta and improve exported water source reliability. The future effects of climate change on water allocations and the vulnerability of the dual, under delta tunnels have not been well defined and should be developed further before MWDOC allocates significant resources to its implementation.

OCWD disagrees partially with Finding F.2. OCWD agrees that the BDCP is an expensive project and that issues such as climate change and the vulnerability of the delta tunnels should be fully vetted before the project is considered for construction. However over 25% of the water supplies Southern California relies upon comes from Northern California. And these supplies have been reduced in recent years due to environmental issues and concerns regarding the general health of the Sacramento delta ecosystem. The general goal of the BDCP, which the District supports, is to restore and secure the water supplies Southern California has relied upon while improving the local delta environment.

F.3. Most of the local and County water sources have been developed and optimized. Some additional capture of ground water and recycling of municipal waste water is in various stages of planning and execution, but these options are progressively more expensive to execute and, by themselves, are not game changers.

OCWD disagrees with Finding F.3. The Groundwater Replenishment System (GWRS) is currently being expanded from 70 million gallons per day (mgd) to 100 mgd which will add another 31,000 acre-feet per year of local water supply. This additional amount of water would meet the entire needs of the City of Huntington Beach. OCWD has also started preparing documents to consider expanding the GWRS project from 100 mgd to 130 mgd which would add another 31,000 acre-feet per year of local water supply.

Additionally the Orange County Sanitation District recently established a policy to attempt to recycle all wastewater that it receives and treats. After accounting for the wastewater that would be used to expand the GWRS as previously described, approximately another 30,000 acre-feet per year of wastewater would be available to recycle and put to beneficial use.

OCWD also understands that South Orange County agencies that are outside of the District's service territory are considering recycling projects that could generate significant amounts of new water supplies.

Recycled water facilities, especially indirect potable reuse projects, are less expensive than either imported water or seawater desalination. These projects are game changers because they result in giving the region a reliable source of water supply at the lowest cost. Maximizing the recycled water supply in any region should be the first priority for sustainable water resource management.

F.5. The largest, yet to be developed source of local water is the Pacific ocean. Two OC desalination projects are being evaluated by regulatory agencies and OC water districts, Poseidon's 50 Mgd Huntington Beach project and the MWDOC's Doheny Coastal Ocean Desalination Project rated at 15 Mgd potable/15 Mgd barrier injection at Doheny Beach.

OCWD disagrees partially with Finding F.5. As mentioned in the District's response to Finding F.3., there still exists a large opportunity to implement additional recycled water projects in Orange County. OCWD currently is evaluating potentially purchasing the 56,000 acre-feet of water from the proposed Huntington Beach project. The District believes that the Doheny project's capacity may have been overstated.

F.7. The local OC water supply is less vulnerable to major events because of a number of innovative retail water supplier and OCWD efforts. The primary focus has been on large waste or surface run-off water reclamation, increased winter and emergency storage, conservation and rate pricing strategies, preventative maintenance, back-up and redundant equipment, and a large number of interconnections between district distribution pipelines.

OCWD agrees with Finding F.7.

F.9. Permitting large water infrastructure construction projects consumes many years, and cuts across many agencies and jurisdictions. Permitting issues are frequently used by stakeholder special interests to manipulate outcomes that are not always consistent with the public's greater good.

OCWD partially disagrees with Finding F.9. The District concurs that navigating the California environmental laws and the various regulatory agencies' permitting processes can be time consuming and expensive. However OCWD does not completely agree that permitting issues are "frequently" used by special interest to manipulate outcomes.

RECOMMENDATIONS (1-5)

As to each Grand Jury recommendation, the responding person or entity shall report one of the following actions:

- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.

Based on its investigation of water reliability and sustainability in Orange County, the 2013-2014 Orange County Grand Jury makes the following five recommendations:

R.1. MWDOC and OCWD should assemble and finance a strong inter-agency (OCWD, MWDOC, and select retailers) advocacy group to drive the final permitting and construction of several large scale seawater desalination plants with the objective of significantly accelerating the process and shortening project schedules. (F.1. through F.6.), (F.10.)

Implementation of Recommendation R.1 requires further analysis. MWDOC and OCWD can continue efforts regarding clarification and streamlining of permitting issues related to seawater desalination, but advocacy groups such as CalDesal should be the primary sources to effect that change. Each water agency statewide needs to assess its own needs and make a determination if seawater desalination is appropriately a part of its water supply portfolio.

OCWD and other local water agencies are routinely meeting to consider the proposed Huntington Beach project. Determining if and when the project should be constructed is very complicated. Additionally MWDOC may take the lead in preparing an Orange County Water Reliability Study this fiscal year which would provide additional analysis on the project.

OCWD has also hired a consultant to assist in evaluating funding options and financial issues with the project. This work is expected to be completed within three months.

R.2. MWDOC and OCWD should work with legislators, contractors, other stakeholders, and the regulatory agencies to streamline and accelerate the large infrastructure permitting process. The goal should be the development of a one-stop agency capable of representing and adjudicating conflicting or overlapping agency permit requirements. (F.9.), (F.10.)

Implementation of Recommendation R.2 requires further analysis. OCWD agrees with the spirit of the recommendation. However there are several state agencies that must approve a project such as an ocean desalination plant. The effort the Grand Jury is recommending would require the commitment of significant resources and a sustained effort over several years. Numerous groups, political leaders and agencies from around the state would need to be involved with a small likelihood of success in the District's opinion given current state-wide policies.

R.3. MWDOC and OCWD should develop an interconnection process flow network diagram connecting all relevant OC agencies (City, County, and MET) and use it to investigate the impact of "what if" scenarios (various emergency outages due to failed wells and pumping stations, damaged piping, etc.) which could impact local district water supplies. Close coordination of resources and plans is necessary to integrate the local OC water infrastructure. (F.7.)

Implementation of Recommendation R.3 requires further analysis. OCWD agrees with this recommendation however it will require further analysis as the recommendation directly impacts and requires the participation of the local retail water agencies. To some extent this recommendation has already been implemented. Many retail water agencies in the county have already constructed interconnections with their neighboring agencies for emergency scenarios. Additionally agreements have been executed to allow groundwater to be transported to South Orange County agencies during emergency events. This issue will also be included as part of the previously mentioned Orange County Water Reliability Study that will be completed this fiscal year.

R.4. MWDOC should continue to monitor and support the BDCP, but a favorable resolution of water supply allocations and tunnel vulnerability issues is required before significant resources should be expended. (F.2.), (F.8.)

Recommendation R.4 is specific to MWDOC, and does not seek any action from OCWD. OCWD has no response.

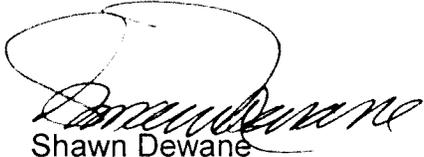
R.5. MWDOC and OCWD should consider merging into a single wholesale agency to better evaluate, coordinate, and integrate more complex strategies involving the allocation and distribution of ground and imported water under emergency and climate change impacts. This merger would facilitate the implementation of Recommendations 1-4. (F.1.), (F.4.), (F.6.)

Recommendation R.5 has been implemented. OCWD and MWDOC are having on-going discussions to consider merging. OCWD agrees that a merger could improve the coordination and integration of groundwater and imported water supplies in the region.

We trust and hope that the Grand Jury has found our responses informative and adequate. As the Grand Jury has learned with the preparation of this report, water supply and reliability issues are complicated. The District's board of directors, general manager and staff are always available to meet with the Grand Jury to discuss and analyze water issues. Please call our General Manager Mr. Mike Markus at (714) 378-3201 to arrange any further meetings.

Judge Sanders/Orange County Grand Jury
August 21, 2014
Page 7

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Dewane", written over a large, loopy scribble.

Shawn Dewane
Orange County Water District
Board President

cc. OCWD Directors
MWDOC General Manager