



April 13, 2015

The Honorable Felicia Marcus
c/o Jessica Bean, Engineering Geologist
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

Subject: Comment Letter – Proposed Drought Regulation Framework Modifications

Dear Chair Marcus:

Moulton Niguel Water District (MNWD) appreciates the opportunity to provide comments to the Mandatory Conservation Proposed Regulatory Framework by the State Water Resources Control Board (SWRCB). The Emergency Water Conservation Regulation mandated by the SWRCB has elevated public awareness and increased conservation efforts by water agencies throughout the State. Your approval of MNWD's Alternate Plan for Demand Reductions (Plan) has been integral in expanding our conservation efforts and promoting the value of sustained approaches to water use efficiency through our water budget based rate structure. We are on the path outlined per the Plan as a number of policies have been implemented to integrate demand side management into the entire organization as a critical function to maximize the efficiency of every drop of water possible. MNWD proposes the following modifications for your consideration to the SWRCB Mandatory Conservation Framework to continue in our success with the Alternate Plan and further expand our efforts to do more:

- Utilization of the reported June 2014 to February 2015 average residential gallons per capita per day (GPCD) to calculate the residential gallons per capita for determination of the tier for percentage reduction of water consumption
- Additional tiers to provide better resolution on reduction of water consumption
- Expansion of the Alternate Plan for Long Term Sustained Conservation resulting from permanent efficiency measures and behavioral shifts that exceed 25% reduction in overall water use

In order to build off the momentum of the actions achieved from the Alternate Plan and move forward into the future along the path of long term behavioral shifts, the District proposes an expansion of the Alternate Plan under the Mandatory Conservation Framework. Due to the efforts of the Alternate Plan, the District is trending towards its lowest usage since 1991 even though 80,000 additional residents are served by the District today. And this year, more than 90 percent of our customers are staying within their water budget, the highest percentage we've seen since the implementation of the water budget based rate structure. Our story offers a unique case study in achieving both immediate and long term efficiency goals while maintaining trust and credibility with the public and ensuring the financial health for the utility in providing critical public services.

The most critical issue in meeting the challenge of the current drought and a potentially extended "mega-drought" is a massive shift in outdoor use norms. Within this goal, the District proposes a comprehensive plan for demand reductions in a time-phased approach to create a permanent reduction in demand that is potentially greater than 25%.

The critical components of the plan are:

- Tighten water budgets by implementing the Water Shortage Contingency Plan
- Drought-proof landscaping District-wide
- Recycled Water Master Plan to expand recycled water use by over 1,000 AF per year
- Implement Advanced Metering Infrastructure (AMI) to provide real time consumption data through customer portals with social normative messaging to customers
- System-wide program for water loss and leak detection
- Expand existing outreach campaign to target outdoor and CII (commercial, institutional, industrial) water use
- Enhance outreach/education efforts to cause behavioral shift in how people think about water

MNWD will implement the programs thoughtfully to avoid temporary cutbacks that rebound and change outdoor water use behavior permanently.

The District has the policy lever through its rate structure to achieve the 25% reduction in usage proposed in the draft framework; however, we are concerned that using that option without being phased in could prove counterproductive to long-term conservation goals. Therefore, we propose courses of actions that are immediate, secondary and subsequent, which will achieve the Governor's charge in a pragmatic manner resulting in sustained success. In order to transition the District towards sustainable outdoor water use using California natives and Mediterranean plants, we need time. New plants require an establishment period of approximately 12 months. The amount of outdoor irrigation water provided in the framework would not meet the watering requirements of the native plants during their establishment period. The concern is that customers with lawns and other high water use landscapes would simply kill the landscape creating tension between our customers and the District. In addition, due to the lost trust, customers could replant their lawns at the end of the drought. A phased roadmap provides customers the opportunity to adjust and make changes to their water use patterns permanently. The District has spent the past years building up the trust of the community and using the punitive higher stages of the Water Shortage Contingency Plan without a ramp up approach would hurt that earned relationship. Additionally, such a large reduction in potable water use can negatively impact the supply of recycled water in the summer months. At present, the District meets 25% of total water demand with recycled water. Currently, the demand for recycled water exceeds availability during certain times of the year requiring the purchase of "make up" potable water.

Immediate Actions (Within 6 months):

- Implement Stage 2 of the District's new Water Shortage Contingency Plan penalizing customers for going over their water budget, prohibiting the use of potable water on golf greens, and eliminating variance and bill adjustments.
- Increase MNWD financial commitment in dedicated outreach efforts and focused marketing to further increase outdoor rebate program participation even higher than the current enhanced levels.
- Develop a Recycled Water Master Plan to retrofit over 325 additional sites and maximize its use within and surrounding the District boundaries
- Convert all bi-monthly meters (potable irrigation, commercial, and multi-family) to monthly reads
- Conduct District-wide customer surveys to better understand customer motivation to increase participation in water use efficiency programs. MNWD would partner with academic institutions to perform detailed analysis to aid in future demand management strategies.

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- Develop a Rebate Optimization Study based on the above surveys to target rebate programs and marketing to maximize program participation
- Design an outreach program to target and track restaurants and hotels to ensure compliance with the SWRCB regulations
- Expand outreach to commercial and irrigation customers and establish benchmarks for maximum efficiency in these sectors
- Partner with major nurseries such as Home Depot and Loews to jointly promote native landscaping and turf removal.
- Target 100 Home Owners Association in the service area to remove turf and replace with drought tolerant plants

Secondary Actions (6-12 months):

- Escalate the Water Shortage Contingency Plan to tighten water budgets
- Implement Advanced Meter Reading Technology to provide real-time usage data (AMI: Advanced Meter Infrastructure) for all irrigation customers, laying the groundwork to target the most usage per meter accounts.
 - Evaluate replacing all meter accounts with AMI
 - Implement a Customer Portal that gives real-time usage data to increase awareness and promote behavioral shifts
 - Expand Water Loss Control Program using real-time AMI data
- Continue maximizing outdoor landscaping programs and behavior shifts with the results of the rebate optimization study
 - Establishment period of approximately 12 months for native landscaping
 - Develop partnerships to increase participation through public space demonstration and native garden tours
 - Increase incentive and outreach for native landscaping
- Launch a District-wide public campaign to inform the customers about the SWRCB regulations and the Governor's executive order to maximize efficiency

Subsequent Actions:

- Develop a report with yearly benchmarks for outdoor, indoor, and CII usage
- Evaluate Water Shortage Contingency Plan to further tighten water budgets

In addition, the District proposes the following timeline for performance metrics to judge the success of the plan starting July 1, 2015:

- Immediate Actions- 15% Reduction in potable water production from calendar year 2013
- Secondary Actions- 15% - 20% reduction in potable water production from calendar year 2013
- Subsequent Actions - 25% PERMANENT reduction in potable water production from calendar year 2013

The ease of reducing usage by a water agency is highly dependent on a number of factors including, local climate, the irrigation area, population, and the age of buildings. A new community with native outdoor landscapes, and cutting edge indoor appliances will have a much more difficult challenge in reducing potable usage than an area without meters, high water use plants, and old buildings. The key issue is bringing agencies on parity in terms of efficiency. The task of normalizing the efficiency across agencies is no easy task and infeasible within the timeline established by the Governor's Executive

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Order. MNWD recommends annualizing the R-GPCD metric to account for seasonality and provide some normalization for regional monthly weather differences. Additionally, MNWD recommends increasing the number of tiers to better reflect differences across agencies in their ability to meet reductions in use. The greater the number of tiers, the more that the extremely high water users in the state can help to meet the overall usage reduction. The ideal solution would be that the percentage reduction is a linear function of the annual R-GPCD metric to avoid 10% jumps in target reductions for 1 GPCD increases in total R-GPCD.

The District has attached a proposed methodology for allocation of conservation targets by agency. In the methodology, the first 40 R-GPCD requires no conservation to meet basic health and safety needs. The maximum conservation required by any agency is capped at 40%. In addition, the average reported R-GPCD over June 2014 to February 2015 are used as the basis by which to calculate the conservation target. Comparing the September 2014 to the average shows a number of outliers, who are either much higher than average in September or much lower. The average provides an approximate solution to regional weather normalization based on readily available data to the SWRCB. Finally, based on the prior assumptions, the line from the 40 GPCD floor of 0% up to a maximum conservation target of 40% is solved for to achieve the Governor's goal of a 25% reduction from calendar year 2013 potable water production. The accompanying spreadsheet is attached.

When the Governor declared the drought emergency in January of 2014, we saw it as a great opportunity to increase awareness and focus the public interest on water to implement good policy. We knew that people held a high value for water because of its scarcity, and the timing was right to further promote water efficiency and to prime our customers for future needs to increase rates to ensure a reliable water supply. Additionally, we were able to utilize the water efficiency funds, which are collected from inefficient users in the over-allocation tiers, to partner with cities and school districts on large turf removal projects and provide several million dollars in funding to create long-term savings and encourage behavioral shifts to less thirsty plants. These visible partnerships helped customers understand the value of our integrated rate structure and demand management programs in allowing us to invest in our communities and help them respond to the drought. To add to the momentum, when the State Water Resources Control Board mandated the drought emergency regulations, we saw an unprecedented level of public attention to water statewide. We saw this as yet another opportunity to demonstrate the value of our water budget based rate structure for our customers.

In the Alternate Plan, the District outlined a broad vision for programs and policies to achieve lasting savings and prepare the District for a long term drought. The District has implemented the following programs and policies as proposed in the Alternate Plan submitted August 15, 2014.

- Expanded Water Use Efficiency Program
 - More than 2 million square feet of turf being removed
 - Expended over \$4 million on water use efficiency programs since the Governor's drought emergency declaration in January 2014
 - Hired additional personnel and redirected existing personnel to dedicate resources to increase customer outreach and participation, perform analysis and develop programs to maximize water use efficiency
 - Public/private partnerships to promote water conservation and efficiency programs
- Improved the water budget rate structure
 - Tightened Tiers

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- Reduced indoor allocation from 65 to 60 GPCD
 - Reduced plant factor from 0.8 to 0.7
 - Incorporated the District’s Water Shortage Contingency Plan as a form of an ordinance into the rate structure to allow immediate response to emergency conditions such as the drought by reducing the allocation without conducting additional Proposition 218 hearings that require time
- Increased Recycled Water Use
 - Approximately 400 AF increase in recycled water use in the last year
 - MNWD was awarded Drought Emergency Funding under Prop 84 to expand the recycled water system to convert an additional 325 services from potable water to recycled water
 - Initiated regional plans to expand recycled water production for future extensions of the recycled water system or to utilize as an indirect potable reuse source
 - Initiated a Recycled Water Master Plan to convert 325 sites to recycled water and partner with surrounding agencies to realize greater delivery among the South Orange County region
- Integrated water use efficiency planning into all District operations
 - Conducted Water Loss Audit to develop a water loss/leak detection program District-wide
 - Restructured the organization to establish demand side management as a core function for all operations

In February 2015, the MNWD Board of Directors adopted new rates and charges including reductions of the plant factor for calculating outdoor water budgets and reductions to the gallons per capita per day allocated for indoor usage. The District modified the Water Shortage Contingency Plan by integrating it into the water budget based rate structure to penalize those customers with the most wasteful uses first during drought situations and reduce allocation without time consuming Prop 218 processes. The end result is an effective tool that drives customers to make the right choice in how they use their water by incentivizing them with lower rates rather than by policing end use and other prescriptive policy instruments to meet supply constraints that were proven to be ineffective in our service area.

There are a number of statewide policies that can help move the entire state towards more sustainable water use. Moulton Niguel Water District currently has one of the highest percentages of recycled water use in California. However, due to the seasonality of irrigation demand for recycled water, the District dumps almost 5,000 AF of treated wastewater into the ocean. Expedition the rulemaking for direct potable reuse would provide Moulton Niguel Water District with a resource that in totality would meet the proposed 25% reduction in potable production.

We remain committed to doing our part to help ensure water reliability for everyone in California and appreciate the leadership of the Governor and the SWRCB in guiding our State into a new era of drought. In these untested times, we have found success by building trust with our customers, taking effective actions, changing the public’s mindset and pursuing new ways to ensure sustained demand management that support the economic health of our region.

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If you have any questions, please do not hesitate to contact me at (949) 448-4071 or jlopez@mnwd.com.

Thank you,

A handwritten signature in blue ink that reads "Joone Lopez". The signature is written in a cursive style with a large initial "J" and "L".

Joone Lopez
General Manager