

Emerald Bay Service District

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August 19, 2008

Honorable Nancy Wieben Stock
Presiding Judge of the Superior Court
Orange County Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Re: **Orange County Grand Jury Report**

Dear Judge Wieben Stock:

The Emerald Bay Service District (EBSD) provides, among other public services, fresh water service to approximately 500 homes in unincorporated Orange County, in the vicinity of Laguna Beach. These homes were previously served by the Laguna Beach County Water District (LBCWD), which still provides administrative and operational support to the EBSD and provides the water that is sold to EBSD customers. Given the current close relationship between these two Districts, it enhances efficient use of resources if, to the extent practicable, the EBSD tailors its responses to conform to those of the LBCWD. In substantial part, we can and do so. This constitutes, therefore, the response of the EBSD to the Grand Jury's Findings and Recommendations in accordance with Penal Code §§ 933, 933.05.

F-1: Opportunities for further water conservation exist especially with regard to landscape watering.

EBSD Response: We agree with the logical premise expressed in this finding.

F-2: Conservation pricing, or tiered pricing, with a fair and reasonable base allotment, followed by tiers of higher rates, can be an effective tool to motivate further conservation.

EBSD Response: We have no empirical basis to disagree with this finding.

R-1: Continue to emphasize methods and availability of tools that assist customers in understanding weather-based irrigation practices by:

- **Providing a hotline for assisting the public with landscape irrigation information.**

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EBS D Response: The hotline described in the LBCWD's response to this recommendation is equally available to the customers of the EBS D.

- **Providing a countywide soil texture map on MWDOC website.**

EBS D Response: We understand that the Municipal Water District of Orange County will be implementing this recommendation soon on behalf of all retail agencies in Orange County.

- **Developing an Orange County specific water calculator on the MWDOC website.**

EBS D Response: We understand that the Municipal Water District of Orange County will be implementing this recommendation soon on behalf of all retail agencies in Orange County.

R-2a: Develop monthly allocations for each customer based on the following:

- **A per person indoor water allotment that satisfies basic needs.**
- **An outdoor water allotment that applies the weather-based method over the customer's landscaped area.**

EBS D Response: We understand that the LBCWD, which provides the administrative billing service to the EBS D's retail customers, is currently studying a tiered rate structure. The EBS D has discussed the concept with general acknowledgment of the potential utility of such a structure as a water conservation measure, and will be considering adoption of a similar tiered rate structure to that under consideration by the LBCWD insofar as applicable to our customer base.

R-2b: Develop a tiered pricing structure with the first tier based on individual customer water allocation priced at a commodity rate, and subsequent tiers priced significantly higher to encourage conservation. The pricing shall be structured in a manner that will preclude the necessity of price increases as a result of reduced water use.

EBS D Response: We note the extensive empirical, legal, and logical analyses provided in the response to this recommendation by the LBCWD. We note that the LBCWD's customer base is more heterogeneous than the EBS D's, and so we observe initially that not all of the considerations expressed in the LBCWD's response will be applicable to the EBS D, or perhaps may apply in different degrees. Nevertheless, many of those considerations will apply

Emerald Bay Service District Response to Grand Jury

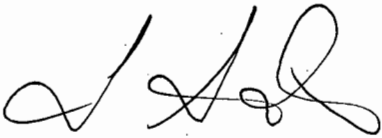
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equally to the EBSD's consideration of the possible use of a tiered rate structure. Furthermore, there are apparent efficiencies to be gained by the use of similar rate structures in the two Districts. Thus, we are giving active consideration to the possibility of following any new structure adopted by the LBCWD. Final action must await completion of the work currently underway within the LBCWD, and then an evaluation of how its action can be efficiently carried over to our District.

R-2c: Modify water bills to clearly explain customer monthly allotment and monthly water usage.

EBSB Response: The EBSD anticipates that our water bills will be modified in the same manner as those of the LBCWD, since the LBCWD prepares the bills sent to the customers of the EBSD. Logic suggests that we take the benefit of additional information being generated by the LBCWD and provide that same information to the EBSD's customers.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Toni Schmidt', with a large, stylized flourish at the end.

Toni Schmidt

Secretary/General Manager