

VIA U.S. Mail

The Honorable Maria Hernandez
Presiding Judge of the Superior Court of California
County of Orange
700 Civic Center Drive West
Santa Ana, CA 92701

Re: **Response to Orange County Grand Jury Report, “Emerging Opportunities in South County Water/Wastewater Systems”**

On June 21, 2024, the 2023-2024 Orange County Grand Jury (“OCGJ”) released the subject Report titled “Emerging Opportunities in South County Water/Wastewater Systems.”. The Report, which includes a review of wastewater treatment issues surrounding the South Orange County Wastewater Authority (“SOCWA”) and a case study of the City of San Juan Capistrano and Santa Margarita Water District water/wastewater consolidation, includes four “Findings” and two “Recommendations”.

Moulton Niguel Water District (“MNWD”) greatly appreciates the time and effort of the OCGJ in researching and evaluating South County water and wastewater systems to develop this Report. At the OCGJ’s request and in accordance with California Penal Code sections 933(c) and 933.05, MNWD is providing the following responses to Findings F3 and F4, along with Recommendation R2 of the Report. Additionally, MNWD is providing some clarifying comments regarding the wastewater treatment and disposal services provided by the SOCWA and the wastewater collection services provided by the SOCWA member agencies.

Comments for Clarification Purposes

The OCGJ provided history and background context to the issues facing SOCWA and its member agencies. The Report identifies SOCWA as the collection and treatment agency within South County. However, it is also important to clarify the critical role that retail agencies perform in providing wastewater services to the residents and businesses of their respective communities, and that no changes are being proposed to these services provided by the member agencies.

Each agency within South County, including MNWD, provides its own “collection”¹ services for the local wastewater systems; SOCWA does not provide any collection services on behalf of the

¹ “Collection” services refer to the initial construction, replacement, operation and maintenance of the system of underground pipes, pump stations and other sewer conveyance structures used to convey wastewater to a wastewater treatment and disposal facility (“treatment plant.”)

member agencies. While SOCWA does provide wastewater treatment, it currently operates only three of the eleven wastewater treatment plants in South County. The other treatment plants are operated by local agencies: MNWD, the Santa Margarita Water District, the El Toro Water District, the City of San Clemente, the Irvine Ranch Water District, and the Trabuco Canyon Water District.

As noted in the Report itself as well as the response to findings below, MNWD, SOCWA, and SOCWA's member agencies are in the process of finalizing agreements that detail the terms that have been agreed to by SOCWA member agencies, providing for the transfer of ownership and operation of the Regional Treatment Plant (located in Laguna Niguel) from SOCWA to MNWD. This transfer will allow MNWD to implement its innovative Optimized Adaptive Sustainable Integrated Supply (OASIS) water resources program to enhance water reliability through increased potable reuse of wastewater and diversion, treatment and reuse of urban runoff and storm water flows, while simultaneously reducing the discharge of treated wastewater and runoff to the ocean. The OASIS program has received tremendous support at the local, state, and federal level (including grant funding) to help improve the local watershed environment while providing an additional local source of water for our communities.

SOCWA's primary function in serving the retail agencies in South County is through the federal and state permits they hold that allow for ocean disposal of wastewater; a substantial benefit for the nearly 600,000 customers that make up the local retail agencies' customer base. Supporting programs to develop and permit advanced treatment facilities for potable reuse, while ensuring the continued ability to safely dispose of the remaining small amounts of treated wastewater and brine, when necessary, is a paramount task for SOCWA and retail agencies, like MNWD. MNWD recognizes that it is imperative that the local retail agencies continue to collaborate with SOCWA on permitting as well as regulatory opportunities and challenges to support our operations.

With these clarifications, MNWD provides the following responses to the OCGJ:

Findings

Finding F3: *SOCWA's member agencies have widely diverse populations, requirements, and revenues. This has led to conflicts over governance, facility operation, and control, affecting the evolving potential for wastewater reuse.*

MNWD Response: MNWD agrees with this finding

The Report accurately relates some of SOCWA's history. However, as stated previously, SOCWA member agencies are currently finalizing agreements that will resolve many of



those past conflicts. These agreements address critical issues, such as the fact that all of the wastewater sent to the Regional Treatment Plant solely originates with the customers of MNWD – ownership and operation of this plant ensures that the purified water is returned to the water supply of the customers contributing to it.

Further, upon completion of the reorganization agreements within SOCWA, the governance of the other treatment facilities will better align with the agencies most reliant on those other treatment facilities. Based on recent discussions, MNWD is optimistic that these agreements and the revised governance structure will be completed in Fall 2024.

Finding F4: *There is currently no unified strategy for the future of water/wastewater provision in South Orange County.*

MNWD Response: MNWD agrees with this finding.

While we agree with this finding, we note that the SOCWA member agencies have frequently collaborated, and continue to do so, on projects and programs where there are shared visions or goals. Several collaborative projects have been constructed over the years to enhance local water reliability, such as the 3A Treatment Plant. As MNWD is developing its OASIS program, there will be opportunities to collaborate with other local agencies to expand the program. Through those partnerships, additional wastewater may be reused, enhancing the environmental benefits of OASIS by further reducing ocean discharges and increasing local water reliability for the region.

Recommendations

Recommendation R2: *The OCGI recommends that by January 1, 2025, LAFCO form a task force comprising representatives of affected water agencies to study the transformation of SOCWA and prepare a report on the future of water/wastewater in South Orange County.*

MNWD Response: This recommendation will not be implemented by MNWD because it is not warranted.

While we understand the objective of the recommendation, MNWD will not implement this recommendation. The current negotiations and amended SOCWA agreements seek to accomplish similar objectives. Additionally, this recommendation calls for another entity, LAFCO, to exercise powers that may exceed its authority.



The current negotiations and amended agreements are the culmination of years of discussions and will effectively transform SOCWA and settle several long-standing disputes. Through these amendments, which are expected to be finalized soon, the implementation of the OASIS program can go forward and will allow for enhanced water reliability through wastewater reuse. Post-transfer, MNWD remains committed to participating at some level in the discussion of future regional water and wastewater treatment issues in the region.

The Moulton Niguel Water District Board of Directors and staff appreciate the opportunity to respond to the Report. Should you require any additional information on this topic, please do not hesitate to contact me.

Sincerely,



Joone Kim-Lopez
General Manager

cc: **2023-2024 Orange County Grand Jury**
700 Civic Center Drive
Santa Ana, CA 92701

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MNWD Board of Directors

