



IRVINE RANCH WATER DISTRICT

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May 25, 2016

The Honorable Cathy Green
President, Board of Directors
Orange County Water District
18700 Ward Street
Fountain Valley, CA 92708

Subject: Resolving Issues Addressed in IRWD's April 20, 2016 Letter

Dear President Green:

On April 20, 2016, Irvine Ranch Water District (IRWD) submitted a formal letter of protest to Orange County Water District (OCWD) addressing the practice of excluding recycled water as a supplemental source when establishing IRWD's annual groundwater production percentage and Basin Equity Assessment charges. I am writing you today to express IRWD's desire to establish a collaborative framework through which our respective agencies can evaluate and seek solutions to these issues.

In IRWD's protest letter, we contend that not including recycled water as a supplemental source is in conflict with the OCWD District Act and California Water Policy, and that this exclusion is not required by the OCWD Act or the legislative history behind the Act. We also expressed concern that the practice is discriminatory and results in significant financial and other impacts to IRWD.

The resolution of the issues described in our letter, through administrative and legal processes, would require adhering to strict time constraints that would need to be acted upon in the coming weeks. Such processes would be adversarial in nature and IRWD would prefer not to take that path. An alternative and preferable approach is to work together through the issues to seek a mutually satisfactory resolution. Such an approach would give our agencies time to present and evaluate our respective positions on the issues and to look for collaborative solutions without having to file an action. The development and execution of a tolling agreement will facilitate such a collaborative approach.

It is my understanding that our respective staffs and legal counsels have been working together in drafting such an agreement. As part of the agreement, IRWD has offered to commit to paying disputed BEA amounts during the tolling period. I am hopeful that you

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and OCWD Board of Directors will consider entering into the agreement based on the terms mutually developed by staffs and legal counsels from both agencies. I understand our staffs and legal counsels are recommending that the agreement be approved by June 1, 2016 to avoid the implications of an upcoming challenge period deadline.

Our respective agencies have a long history of successfully developing recycled water programs. IRWD has invested more than \$650 million in the development of its recycled water system. We have a common goal with OCWD of implementing recycled water projects to improve the water supply reliability of our communities. I am confident that through this common understanding of the importance of recycled water, we can find mutually satisfactory solutions to the issues at hand.

If you have any questions, please do not hesitate to contact me at (949) 551-0567 or IRWD General Manager Paul Cook at (949) 453-5590.

Sincerely,



Mary Aileen Matheis
Board President