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# CORRECTIVE ACTION PLAN

SWRCB Compliance order NO 05-13-18R002

June 2019

Updated August 28, 2019

Sheep Creek Water Company (SCWC) is a private Shareholder owned Water Company with approximately 1,400 shareholders totaling 8,000 shares in the company servicing a portion of the community of Phelan. The majority of SCWC's water supplies come from an underground Tunnel and 5 ground water wells within the Swarthout Canyon. The SCWC water system is recognized by the State Water Resources Control Board (SWRCB), Division of Drinking Water (DDW) as Sheep Creek Water Company (Water System No. CA3610109). The water system is classified as a Community Water System and supplies water for domestic purposes to the unincorporated portions of San Bernardino County in Phelan, CA. DDW regulates the water system under Domestic Water Supply Permit No.78-007 as issued on February 9, 1978 with the newest permit amendment for Well #11 dated November 28, 2018.

Due to drought conditions in the State of California and below average rainfall in the area, in 2016, water supplies within the Swarthout Canyon continued to decline. February 2016, SCWC was capable of producing 3,001 gpm supplying an allotment of 1,000 cubic per share to the 8,000 shares available in the company. May 2016 supply dropped to 2,569 gpm with weekly drops in production and water levels. By the end of August 2016 production on the SCWC supply was down to 640 gpm. Due to the drops in production, the Board of Directors began to lower the allotment on shares to cut water use to remain within production. SCWC received water from Phelan Pinon Hills Community Service District (PPHCSD) from August 2, 2016 through September 6, 2016.

In preparation of the 2017 summer and continued lack of recharge in the Sheep Creek Canyon, the Board of Directors continued to cut the allotment to keep consumption within the available production. In spring 2018, SCWC began to see additional drops in production and water levels with the high of 1,301 gpm in February 2018 and the lowest production in July 2018 at 502 gpm. The Board of Directors continued to implement drastic cuts in the water allotment along with implementing a tiered water rate and increasing overage charges. SCWC began to receive water from PPHCSD on August 10, 2018 and on August 22, 2018, SCWC notified the SWRCB that SCWC will continue to purchase water from PPHCSD. SCWC purchased water from PPHCSD until August 30, 2018.

On August 30, 2018, SCWC received a Compliance order from the SWRCB for a Source Capacity Violation due to SCWC unable to meet the Max Day Demands (MDD). The highest recorded MDD was on July 12, 2014 with a total production of 1.78 million gallons per day (MGD). Upon the receipt of the Compliance Order, SCWC was nearly complete with a secondary source of supply within the Mojave

Water Agency boundaries located in the Alto Sub Basin. Well #11 was approved and permitted by the SWRCB, DDW on November 28, 2018 with a production of 251 gpm.

As required by the SWRCB Compliance Order, a feasibility study by Infrastructure Engineering Corporation (IEC) was completed with two alternative plans for bringing SCWC into compliance. Due to SCWC being a Shareholder owned company overseen by a Board of Directors elected by the Shareholders, the Board began exploring both alternatives for compliance. The Board of Directors planned to present both alternatives to the Shareholders at the SCWC Annual Shareholders Meeting on May 11, 2019 but did not have enough information regarding consolidation to ask for a vote. SCWC sent a letter to the SWRCB-DDW on April 19, 2019 requesting an extension of time to have a vote of the Shareholders as to the preferred alternative of compliance. On May 10, 2019, the SWRCB-DDW granted SCWC an extension of time until August 31, 2019 for preferred plan of compliance.

The following timeline for Shareholder approved alternative compliance plan:

- Revised Compliance Plan Due- June 1, 2019
- PPHCSD Discussions and Consolidation Plan- June 2019 – July 2019
  - SCWC proposed consolidation plan to be submitted to PPHCSD- June 7, 2019
  - Appraisal of Sheep Creek Water District- July 1, 2019
  - Additional Committee Meeting(s) to discuss proposed consolidation
- Discuss with SWRCB-DFA for available funding opportunities
- Prepare Special Shareholders Meeting- July – August 2019
  - Prepare agenda with proposed alternatives of compliance
  - Prepare information and material for Shareholders- July 1 – 12, 2019
  - Send information to Shareholders for Special Meeting- July 17, 2019
- Special Shareholders Meeting- August 17, 2019
  - Vote of the Shareholders to approve preferred alternative for compliance
- Notify SWRCB-DDW of Shareholder approved alternative for compliance- August 30, 2019

### **Drill Additional Well for Source Capacity Compliance**

SCWC has taken action over the past several years to reduce the systems MDD. SCWC began reducing water allotments along with reducing demand in May 2015 with the implementation of the Governor of California's Drought Regulation, mandating a 20% reduction in all water use. Along with the reductions in 2015, the SCWC Board of Directors continued to reduce water allotments as water levels and production began and continued to fall. The SCWC Board of Directors also implemented a Tiered water rate structure to reduce additional water use over Shareholders allotment.

SCWC began taking action to alleviate the source capacity issues with the approval of Well #11, to be located outside of the company's existing well field and drilled within the Alto Sub Basin located within the Mojave Water Agencies Boundaries. CEQA was completed in early 2018 and the well was drilled and completed by fall 2018. The SWRCB approved the well into the system in November 2018 after the Source Capacity Violation was issued. The increased capacity of .36 MGD combined with the lowest capacity of .72 MGD brings the total pumping capacity of SCWC to 1.08 MGD leaving a deficit of .70 MGD. The 1.08 MGD does not take into account the regulation of the highest producing source being taken offline.

With the recommendation from the required feasibility study that was completed by IEC, up to four additional wells will need to be drilled within the SCWC water district. The assumption of four wells is based on the recently completed SCWC Well #11. Well #11 was drilled to a depth of 1,500 feet with a production of 250 GPM at a water level of approximately 950 feet below ground surface. Following approval from the SCWC Shareholders to move forward, the Board of Directors will begin the process for the installation of the first well (Well #12) in the project. SCWC will continue to drill the additional wells as needed to produce the additional .70 MGD. With the assumption that the additional wells produce .36 MGD as Well #11, a total of three wells may need to be drilled to meet the SWRCB regulation for a water systems MDD.

SCWC will locate the new wells within the best location of existing pipeline infrastructure. With locating the wells within areas of the water system that have larger diameter pipelines, this will reduce the infrastructure needed to connect the wells to the system along with reducing the cost to the Shareholders. As of this time, the cost, construction, water production and water quality for all additional wells are being based on the newly completed Well #11. Water quality is unknown and is not taken into account in the proposed timeline. Water quality will be addressed if necessary following the completion of title 22 water quality sampling.

With Shareholder approval to drill additional wells, the following will be completed for compliance:

- Continue working with CRWA for funding of new wells and possible infrastructure upgrades
- CEQA compliance for each well project needed
  - If possible, projects to be combined
- Installation of Well #12 & 13
  - Drill well with estimated depth of 1,500 feet
  - 12 – 16 inch diameter casing with estimated 500 foot louvered section
  - Test pump well with estimated production of 250 GPM or .36 MGD
  - Application for Southern California Edison- Electrical Service
  - Installation of pumping equipment
  - Well head pipe work
  - Onsite and offsite pipe work to connect to water system- Estimated distance 500 feet
  - Installation of electrical equipment and SCE service
- Installation of Well #14 & 15 (If Necessary for Compliance)
  - Drill well with estimated depth of 1,500 feet
  - 12 – 16 inch diameter casing with estimated 500 foot louvered section
  - Test pump well with estimated production of 250 GPM or .36 MGD
  - Application for Southern California Edison- Electrical Service
  - Installation of pumping equipment
  - Well head pipe work
  - Onsite and offsite pipe work to connect to water system- Estimated distance 2800 feet
  - Installation of electrical equipment and SCE service

**Funding** SCWC has been working with the California Rural Water Association (CRWA) for two years to acquire grant funding to bring SCWC into compliance and complete additional projects within the water district. SCWC will continue to work with CRWA to seek funding from SWRCB-DFA for

completion of the additional wells as recommend in the Final Engineering Report that was submitted in July 2019.

SCWC is working with a funding consultant, Waterfunder LLC, for private funding along with possible additional grant funding that may be available. The options for payment of the loans will be put to the Shareholders to vote on payment options.

Estimated cost per well is based on similar design as Well #11:

- \$900,000 per well with pipeline & electrical installation
  - Estimated cost per share per well for loan repayment- \$150 per share
    - Estimated cost is based on 10 year loan with assessment collection cost
  - Estimated cost per service connection per month per well for loan repayment- \$8.00 per service- \$960 per meter service
    - Estimated cost is based on 10 year loan with interest
- Upon approval by the SWRCB-DDW, as additional source capacity becomes available, SCWC can begin issuing new service connections with the additional funds to be available for the wells or any outstanding loans lowering the cost to the existing water users and Shareholders.

**Timeline for Compliance** With approval of the SCWC Shareholders to move forward with drilling additional wells within the SCWC water system, staff will begin moving forward with well locations for the additional wells. The plan is to work on the first two wells concurrently if possible to cut time on the project. Following approval of locations from the Board of Directors, CEQA documents will be completed and submitted. During the CEQA process, property acquisition will be completed, necessary permitting will begin and Bids will be submitted for well drilling. Following completion of test pumping, SCE application will be made, pumping equipment installed, on and off site pipe work will be completed concurrently. Documentation will be submitted to SWRCB-DDW for approval of a new water source.

### Estimated Project Timeline

ID	Task Name	Duration	Estimated Start Date	Estimated Completion Date
1.	<b>Project</b>		<b>September 2019</b>	<b>June 2023</b>
2.	Funding, Applications & Approvals		September 2020	
3.	Well Site Location & Acquisition		January 2020	
4.	CEQA Wells 12 & 13			<b>October 2020</b>
	a. Initial Study	3 months		
	b. Lead Agency Submittal	2 months		
	c. Review & Comment Period	30 days		
	d. Mitigation	4 Months		
5.	Engineering & Permitting	4 months		
6.	<b>Bid Project/Award Contract</b>	<b>60 days</b>		<b>November 2020</b>
7.	<b>Well No 12</b>		January 2021	

8. Drill, Case, Test Well	60 days		
9. Well Site Acquisition- Well 14 & 15	3 Months		
10. CEQA Wells 14 & 15 (see Item 4 a-d)	10 months		
11. Construct Well Site and Offsite Pipeline	90 days		
12. Equipment Lead Time	60 days		
13. SCE Application for Service	6 months		
14. County Permit	30 days		
15. DDW Permit	45 days		
16. Well 12 Complete	0 days		<b>December 2021</b>
17. <b>Well No 13</b>		June 2021	
18. Drill, Case, Test Well	60 days		
19. Construct Well Site and Offsite Pipeline	90 days		
20. Equipment Lead Time	60 days		
21. SCE Application for Service	6 months		
22. County Permit	30 days		
23. DDW Permit	45 days		
24. Well 13 Complete	0 days		<b>May 2022</b>
25. <b>Well No 14- If Necessary</b>		January 2022	
26. Drill, Case, Test Well	60 days		
27. Construct Well Site and Offsite Pipeline	90 days		
28. Equipment Lead Time	60 days		
29. SCE Application for Service	6 months		
30. County Permit	30 days		
31. DDW Permit	45 days		
32. Well 14 Complete	0 days		<b>December 2022</b>
33. <b>Well No 15- If Necessary</b>		June 2022	
34. Drill, Case, Test Well	60 days		
35. Construct Well Site and Offsite Pipeline	90 days		
36. Equipment Lead Time	60 days		
37. SCE Application for Service	6 months		
38. County Permit	30 days		
39. DDW Permit	45 days		
40. Well 15 Complete	0 days		<b>May 2023</b>
41. Compliance with SWRCB			<b>June 2023</b>