



State Water Resources Control Board

Division of Drinking Water

January 3, 2020

Chris Cummings, General Manager
Sheep Creek Water Company
P.O. Box 291820
Phelan, CA 92329
sheepcreek@verizon.net

Dear Mr. Cummings:

RESPONSE TO CORRECTIVE ACTION PLAN FOR COMPLIANCE ORDER NO. 05-13-18R-002

The State Water Resource Control Board, Division of Drinking Water (Division), received a revised Corrective Action Plan from the Sheep Creek Water Company public water system (System) on August 28, 2019. The corrective action plan was submitted in response to Compliance Order No. 05-13-18R-002 (Order).

The System's response informed the Division that on August 17, 2019 the shareholders of the System gave authority to the Board of Directors to proceed with drilling the additional groundwater wells required to meet source capacity requirements as imposed by Title 22, California Code of Regulations (CCR) Section 64554. The decision to drill additional groundwater wells was made rather than consolidating with the neighboring public water system, Phelan Pinon Hills Community Services District (PPHCSD). Even though the System's Board of Directors has stated that they are prepared to proceed with the development of additional groundwater wells to meet compliance with the Order, the Division still recommends that based on historic water production data and the overall cost analysis that was completed by the System, that the best long term and most feasible solution would be to pursue a consolidation with the neighboring public water system.

The System's feasibility study that was completed on January 14, 2019 by Infrastructure Engineering Corporation (IEC) demonstrated that the cost for consolidation would amount to a net present value of \$3.4 million dollars including operation and maintenance costs in comparison to the net present value of \$6.5 million dollars including operation and maintenance costs to maintain the System as a public water purveyor and drill additional sources. The cost analysis further supports that consolidation with PPHCSD would be a more financially viable alternative. The Division would also like to address that if the System is not financially prepared to proceed with constructing and equipping the

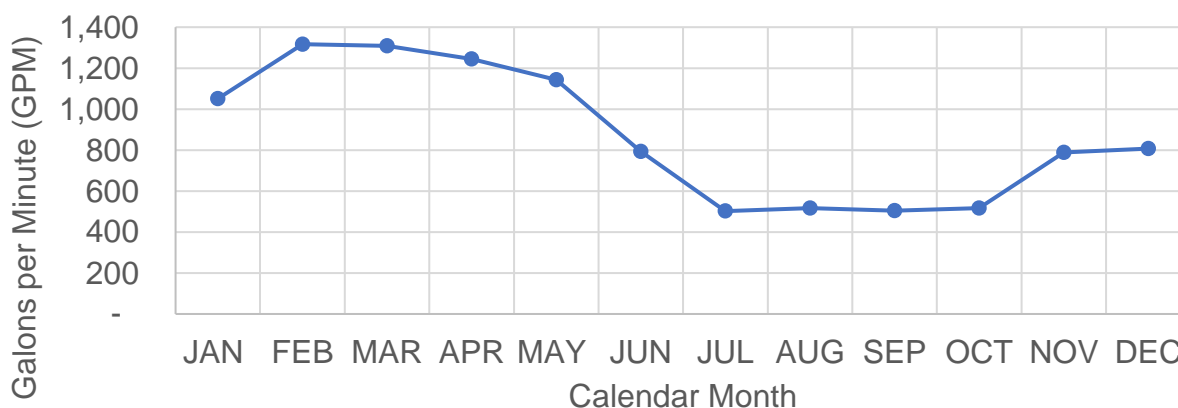
E. JOAQUIN ESQUIVEL, CHAIR | EILEEN SOBECK, EXECUTIVE DIRECTOR

necessary water supply sources to return to compliance, the project might result in a higher financial burden to the System and its customers.

Since the System's decision was reached in August 17, 2019, the Division has had several community shareholders reach out with concerns about the overall costs for this project and the impact it would have for those individuals that are unable to afford it. The System should assess all the financial risks that could result from this project and should be prepared to budget the project without causing financial hardship on the System or its shareholders. For reference, the feasibility study has been attached to this letter.

In addition to the cost analysis, the Division is concerned with the seasonal variability in the System's source production and how unreliable the System's sources have proven to be over time. Average production data provided by the System for 2018 is depicted in Figure 1 below, demonstrating that source capacity was about 62% less during the summer month of July 2018 in comparison to the production capacity during the winter month of February 2018. Records prior to 2018 typically show that the System's sources tend to experience their lowest capacities during the months of highest demand during the summer. Seasonal variations in the System's production capacity need to be considered when determining compliance with source capacity regulations.

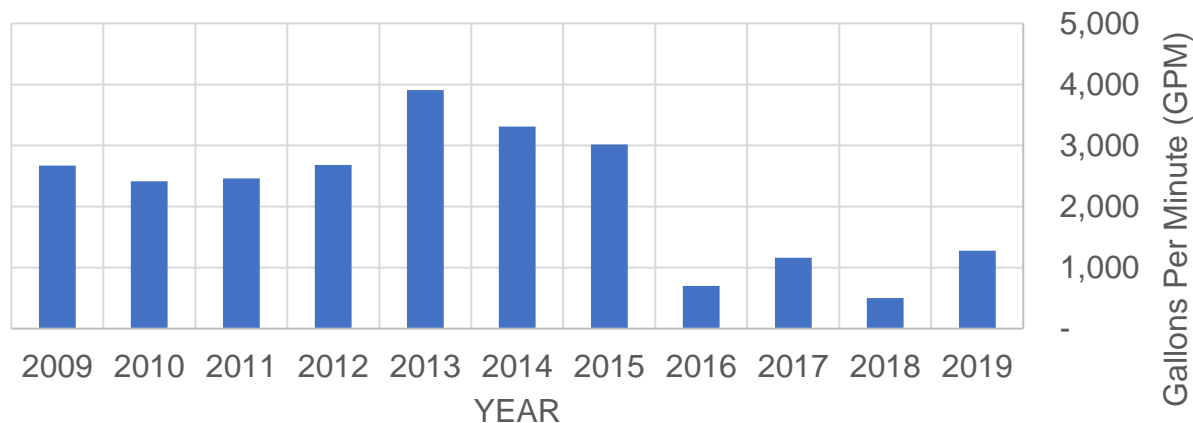
Figure 1. Monthly Average Production Capacity throughout 2018



In addition to seasonal variability, the last 10 years of the System's production data indicate a significant decline in source capacity. Information from the System's monthly production updates show that during July 2018 the system's average monthly production capacity for all its sources combined was down approximately 81% from what it was 10 years before in 2009. Figure 2 demonstrates the overall decline and fluctuation of the System's source capacity from 2009 to 2019 during the month of July. The System's monthly production reports further establish that its sources are heavily impacted during drought conditions as experienced during the past 10 years. Since the occurrence or the length of a drought is unpredictable, these sources are continually susceptible to producing record low flow rates as experienced during July 2018. Considering the System's historical variability in production, the System should understand the risk associated with their current sources in moving forward towards their compliance with

source capacity requirements. For reference, the monthly production summaries reported by the System have been attached to this letter.

Figure 2. Monthly Production Averages during the month of July for 2010-2019



Furthermore, it is the policy of the Division, as described under Section 106.3 of the Water Code and Section 116680 of the Health and Safety Code, to encourage water system consolidation whenever it provides for a more sustainable water system to ensure the human right to water. It is our belief that the formation of a consolidated water system that incorporates PPHCSD and the System will provide a significant increase in technical, managerial, and financial capacity resulting in greater water security for the community. Therefore, if the System decides to consolidate at any point and a consolidation agreement has been reached and executed by the two water systems, the Division is willing to accept for review and approval an updated Corrective Action Plan with an implementation schedule for achieving source capacity requirements through the consolidation project.

Despite these concerns it is understood that the System has decided to proceed with constructing as many water supply sources as may be necessary to meet source capacity requirements as imposed by Title 22, California Code of Regulations (CCR) Section 64554. Therefore, the Division hereby approves the Corrective Action Plan as submitted on August 17, 2019 and will be issuing an amended compliance order with deadlines based on the Corrective Action Plan's timeline. Please note that the proposed deadlines on the Corrective Action Plan will be modified to make up for the time it has taken the Division to respond to this matter.

RESPONSE TO REQUEST FOR REDUCTION OF MAXIMUM DAY DEMAND VALUE

As part of the Corrective Action Plan the System has also requested that the Division reduce the maximum day demand (MDD) from the value of 2.09 million gallons per day (MGD) to 1.78 MGD. Although during the past year there has been an increase in overall production as the result of increased Wrightwood Well site production, newly-installed Well 11, and conservation efforts that have taken place in recent years, the Division

cannot use the increase in production as a justification to change or lower the existing MDD value. The MDD is a calculated value based on the past 10 years of water demand and must be determined per Title 22 California Code of Regulations Section 64554.

As for the System no longer serving the Snowline School District, the Division cannot consider the reduction of these service connections until all service connections supplying the Snowline School District are physically removed. Please note that the request to reduce the MDD by the School District's usage would still be subject to the Division's review and approval and may not result in a reduction of the current MDD value.

The Division also reviewed the submitted pumping records for July 2014 and has determined that it cannot discount the requested production values for Well 8. The total amount produced by Well 8 on July 12, 2014 still needs to be considered regardless of operational settings that should have taken precedence.

The Division will however accept that the 2014 Annual Report that the System submitted showed a total production of 6.04-acre-feet, rather than the documented 6.4-acre-feet, which would reduce the MDD value to 1.97 MGD. Therefore, the Division will hereby correct the MDD value from 2.09 MGD to 1.97 MGD in the amended compliance order to the system.

The Division appreciates your continued efforts towards resolving this compliance issue. If you have any questions regarding this letter, please contact Hector Cazares at (909) 383-4312 or by email at hector.cazares@waterboards.ca.gov.

Sincerely,



Eric J. Zúñiga, P.E.
District Engineer
San Bernardino District
Southern California Field Operations Branch

Enclosures: IEC Feasibility Study
SCWC Monthly Production Records 2006 - 2019

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