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System No. 3610109

December 15, 2023

SWRCB
Division of Drinking Water
464 W 4th Street, Suite 437
San Bernardino, CA 92401
Attn: Mr. David Divani

Regarding: • Corrective Order Number 05-13-18R002
• Request for Early Release of Corrective Order

The Sheep Creek Water Company (SCWC) is working diligently to comply with the State Water Resource Control Board (SWRCB) Corrective Order Number 05-13-18R002, set to expire on December 31, 2025. SCWC requests that after Well #13 has been permitted by the SWRCB, that the Corrective Order be released prior to its expiration.

Following is an update on our progress of increased production levels in the canyon:

A. Progress: Sheep Creek Canyon Production and Maximum Daily Demand

As you know, SCWC canyon wells have hard water. When our production dropped dramatically in July 2018, the management team and Board of Directors had difficulty determining why the production dropped so unexpectedly. The drought played a role in the lower production levels. Production from all five wells in the canyon varied, which was unusual.

The SCWC Board of Directors and management team were making serious efforts to meet the water requirements of our shareholders.

- Based on upon the Board of Directors recommendations, the shareholders approved at its 2019 Annual Shareholders Meeting to drop the water allotment from 1,000 cu ft per share to 750 cu ft for the 1st share and 150 cu ft for each additional share owned per shareholder.
- An agreement to transfer water between Phelan Pinion Hills Community Service District (PPHCSD) and SCWC was signed and dated July 31, 2018.
- The CEQA initial study for Well #11 was started in April 2017, and the Well was online and permitted by SWRCB in December 2018.

Our water users were not out of water and did not experience low water pressure. SCWC maintained our storage tanks levels, which meet all fire requirements. But because of the lower production, the State issued SCWC a corrective notice on August 30, 2018.

The corrective notice added a layer of urgency. But before the corrective notice, SCWC had already begun investigating and determining why the production levels dropped dramatically. Two of our wells produced water and were rehabbed before 2018. But our other three wells were producing little water. We discovered that in the bottom 60% of those wells, the casings were severely plugged with calcium and magnesium carbonate.

While the drought lowered our production, the plugged casings had a far more significant impact on our overall production. SCWC had the water; we just couldn't get the water through the casings. This was a mechanical problem, which has since been fully resolved. After rehabilitating the three wells, our production levels increased dramatically. SCWC has video evidence of the initially plugged, and subsequently cleared casings, and our production reports show the increase in water production, summarized below.

B. The following shows our production levels before rehabilitation and after:

Well #3A: Production in August 2019, before the rehab, was 167 GPM.
 Production in February 2020, after the rehab, was 312 GPM.

Well #4A: Production in July 2022, before rehab, was 222 GPM.
 Production in November 2022, after rehab, was 403 GPM.

Well #8: Production in April 2023, before rehab, was 352 GPM.
 Production in July 2023, after rehab, was 412 GPM.

Sheep Creek Water Company hired an outside water testing company, Pump Check, to test our wells for our current production, and accuracy of the flow meters. As confirmed by their findings on or about May 5, 2023 SCWC's current production far exceeds our current maximum daily demand requirements.

Pump check hydraulic test report production for Well Levels – GPM (Exhibit A)

Well #2A:	Average Production May 2023,	361 GPM
Well #3A:	Average Production May 2023,	344 GPM
Well #4A:	Average Production May 2023,	377 GPM
Well #5:	Average Production May 2023,	241 GPM
Well #8:	Average Production May 2023,	369 GPM
Tunnel:	Average Production May 2023,	175 GPM
Total		1,867 GPM
		<u>X 60 min/hour</u>
		112,020 G/hour
		<u>X 18 hours/day</u>
		2,016,360 gallons per day

Our current water consumption in the month of July was 374 GPM times 60 minutes per hour times 24 hours equals 538,560 gallons per day. So, our daily production (wells and tunnel) in July was more

than double our daily consumption. While it could be argued that our production has increased because 2022-23 was a “wet” year, our production in 2021-22, at the end of the 17-year drought was 2,046 GPM, still met the current maximum daily demand 1,970,000 GPD.

To ensure that this does not occur again, SCWC will promptly inspect wells with significant water levels or production drops, determine the cause, and fix the issue immediately to maintain water production. Sheep Creek Water Company is committed to rehabilitating all of its wells, on a rotating ten year schedule. Well #5 is scheduled to be rehabbed in 2024.

C. Backup Wells Installed

Since Corrective Order Number 05-13-18R002 was issued on August 30, 2018 SCWC has drilled two backup wells.

1. Well #11 was put into production on December 2018 and is currently producing 251 GPM (Exhibit B).
2. Well #13 was test-pumped by Layne Christensen in October 2023. Layne Christensen is designing Well #13 to produce 400 GPM. The preliminary water quality testing has come back with a rating of “good.” All tests have since been sent for lab analysis, in order to permit Well #13 as soon as possible. Lab analysis has been submitted to the SWRCB as of December 7, 2023.

We are aware that the backup Wells must be larger than our largest producing Well and produce at least half our current usage. SCWC's largest producing well is #8, which produces an average of 412 GPM. For the month of August 2023 (Exhibit C), SCWC's current usage is 421 GPM. Half of 421 gallons is 210 GPM. Well #11 is producing 251 GPM, and Well #13 can produce up to 400 GPM. Together, Wells #11 and #13 produce 651 GPM. SCWC requirements for backup Wells have been met.

If production in the Sheep Creek Canyon drops below 1,500 GPM, SCWC is committed to pumping backup Wells #11 and #13 to meet the demands of our water users and dramatically lower the demand for water from the Sheep Creek Canyon. The current Board is committed to never overdraft the Sheep Creek Canyon.

Water Allotment Conservation Plan

When SCWC production was declining in 2018, the entire state of California was asked to cut back on water usage due to the ongoing drought. At the Boards direction, SCWC customers did what was asked of them. The shareholders voted twice to lower their overall usage, once at the 2019 Annual Shareholder’s meeting and again at a Special Shareholders meeting in August 2019. The shareholders voted to allow the Board to lower water allotments over the next few months to keep up with the dropping production levels. The Board and crew immediately started investigating why the levels were dropping quickly. The first action was to rehab Wells #3A, #4A, and #8.

In addition to lowering the allotments, starting in 2018, SCWC has drilled two Wells in Phelan, Well #11 and #13. Well #11 was completed in 2018, and Well #13 will be completed in December 2023. Both Wells are outside the Canyon. The cost to pump water from these wells is significantly higher than the water acquired from the Canyon. Mojave Water Agency fees and electricity to pump the water are the two most significant factors for the higher costs.

SCWC is a mutual water company that provides water to its customers at cost, a Tier system was implemented to be fiscally responsible and fair. The Tier 1 rate is the cost of the water from the Canyon. The Tier 2 rate is the cost of the water from Wells in the town of Phelan (#11 & #13). The Tier 3 rate is the overage water cost shareholders use above their allotment. This water is significantly higher in cost to encourage conservation of water. The money generated from Tier 3 will be used to subsidize the upgrade of our water company. In the future, the SCWC is committed to using the production levels from 2018 as the basis for calculating the water allotment for Tier 1 (Canyon water). SCWC cannot return to the days when each share was allotted thousands of cu ft of water per share.

The current meter application fee is \$10,750. This will be adjusted in the future to account for inflation. Currently, SCWC has the water for an additional 150 meters. When SCWC issues 100 of the 150 meters, the plan is to start drilling an additional well, and so forth, as the town grows.

Request for Early Release of Corrective Order

The Board of SCWC feels that all the requirements of the corrective order have been met pending the imminent permitting of Well #13. We respectfully request the release of the corrective order in advance of the 12/31/25 expiration. We would also like to request an additional 150 meters to move forward with the above plan to provide water for our community.

Thank you for your time and consideration of SCWC's request for early release of the Corrective Notice.

Thank you,



Kellie Williams

Secretary/Treasurer
Sheep Creek Water Company Board of Directors

CC:

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