



IRVINE RANCH WATER DISTRICT

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March 18, 2015

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

Subject: Next Steps in Evaluating Proposed Huntington Beach Seawater
Desalination Project

Dear President Green:

Irvine Ranch Water District (IRWD) recognizes and appreciates the state-of-the-art projects and programs that Orange County Water District (OCWD) has implemented to increase water production from the Orange County groundwater basin. OCWD's Groundwater Replenishment System, sea water barrier projects, recharge basin operations and groundwater management principles are held in high regard throughout the State of California and OCWD is recognized as a leader in groundwater management. IRWD supports OCWD in continuing its leadership role in exploring opportunities to improve the reliability of the groundwater resources available to the 2.3 million people that depend on the Orange County groundwater basin.

IRWD supports the investigation of cost-effective alternative water supplies and commends OCWD's attempt to negotiate a cost-effective term sheet with Poseidon Resources for the development and operation of the Huntington Beach Seawater Desalination Project. The draft term sheet would provide a foundation for further analysis of the project and for comparing this potential project to other water supply reliability alternatives.

IRWD also supports OCWD's intent to solicit input on the proposed term sheet from the community through the formation and participation of the Ocean Desalination Citizens Advisory Committee. To provide OCWD with complete information, IRWD also supports the formation of a similar process for soliciting input from the cities and water agencies that produce water from the Orange County basin. This input would provide the OCWD Board valuable information from the retailer's perspective that will be needed in considering the proposed project in comparison to other available alternatives.

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IRWD has reviewed the current version of the draft term sheet, along with the other information provided to the OCWD for its meeting this evening. Based on this review, IRWD is requesting that the OCWD consider the following questions:

1. What are the legal authorities and institutional barriers that would have to be overcome for OCWD to sell and deliver water from the project?
2. What are the benefits and impacts that will occur in receiving subsidies from Metropolitan Water District of Southern California's Local Resource Program?
3. How will the water quality requirements of individual retail agencies that are expected to receive water from the project be accommodated?
4. What are the capital, operations and maintenance costs of new pump stations, pipelines and recharge facilities that will be needed to deliver water from the project?
5. What are the financial impacts and water supply reliability benefits to the retail agencies and how do these impacts and benefits compare to other alternatives?
6. What will be the process for negotiating purchase agreements with the retail agencies interested in receiving water from the project?

The development of cost-effective and reliable water supplies is important to the economic vitality of Orange County. IRWD encourages OCWD to initiate an evaluation of the proposed Huntington Beach Seawater Desalination Project in comparison to other water supply alternatives and ensure that answers to the questions listed above are taken into consideration. If you have any questions related to the above, please do not hesitate to contact me at (714) 227-2869 or IRWD General Manager Paul Cook at (959) 453-5590.

Sincerely,



Steven E. LaMar
Board President