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ORANGE COUNTY WATER DISTRICT
ORANGE COUNTY'S GROUNDWATER AUTHORITY

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July 7, 2016

Mr. Kurt Berchtold, Executive Officer
Santa Ana Regional Water Quality Control Board
3737 Main Street, Suite 500
Riverside, CA 92501-3348

Re: Huntington Beach Seawater Desalination Project

Dear Kurt:

I just wanted to inform you that last Wednesday night the Orange County Water District (the District) Board held its third workshop on the distribution of the drinking water from the Huntington Beach Seawater Desalination Project.

As you may be aware, the District Board of Directors voted to approve a Water Reliability Agreement Term Sheet for the purchase of 50 million gallons per day (56,000 acre-feet per year) of drinking water from the project. The term sheet provides that Poseidon would have all responsibility for the water to the "fence line" of the desalination plant and then the District would be responsible for the distribution of the water. Prior to the Board's consideration of a final water purchase agreement, Poseidon is obligated to obtain the necessary discretionary permits to build the project.

Over the past year District staff has been in the process of developing several different distribution options along with their costs. At Wednesday nights' meeting the Board approved the staff recommendation, which is to study a final option that would sell some water directly to coastal Producers within the District's service territory and the remainder being injected into the groundwater basin. This distribution approach provides the District with flexibility with how we manage the groundwater basin.

If you have any questions regarding this matter, please feel free to contact me.

Best regards,

Michael R. Markus, P.E., D.WRE, BCEE, F.ASCE
General Manager

Cc: Director Cathy Green, Board President