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ORANGE COUNTY WATER DISTRICT
ORANGE COUNTY'S GROUNDWATER AUTHORITY

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September 08, 2017

The Honorable Gavin Newsom, Chairman
California State Lands Commission
100 Howe Ave., Suite 100 South
Sacramento, CA 95825-8202

Subject: Huntington Beach Desalination Plant

Dear Chairman Newsom:

I'm writing to urge the State Lands Commission to approve the lease amendment from the proposed Huntington Beach Desalination Project ("Project").

Orange County Water District (OCWD; District) was formed in 1933 by a special act of the California State Legislature to protect Orange County's rights to water in the Santa Ana River, which provides the main source of water for the region's groundwater basin. The District manages the local groundwater basin that provides reliable, high quality groundwater to 19 city and retail water districts that serve 2.4 million customers in north and central Orange County.

The District's 2015 Groundwater Management Plan identifies the proposed Project as providing the District with up to 56,000 acre feet per year (50 MGD) of new supply. The District's interest in seawater desalination and specifically the Project is not a new development and predates the most recent drought. On March 17, 2010, the District signed a Memorandum of Understanding (MOU) with Poseidon Resources for the consideration of the purchase of water from the proposed desalination Project. On July 24, 2013, the District's Board of Directors voted to evaluate the financial feasibility of purchasing the full 56,000 acre feet per year capacity of drinking water that will be produced by Poseidon's proposed Project, and on May 14, 2015 the District's Board of Directors voted to approve a Water Reliability Agreement Term Sheet for the purchase of 50 million gallons per day of drinking water from the proposed project. The Term Sheet was approved by the Board after numerous public meetings and review and amendments to the Term Sheet were proposed by a 30-member Citizens Advisory Committee.

The Term Sheet provides the overall deal points and structure of how OCWD and Poseidon can implement the Project. The Term Sheet will act as a guide towards the development of an actual water purchase agreement. The Term Sheet calls for Poseidon Resources to permit, finance, construct and operate the treatment plant. OCWD will be responsible for purchasing the water and for permitting, financing, constructing and operating the necessary system to distribute the water to the local Orange County water community.

As part of the planning process, the District has been considering a variety of water conveyance and utilization options that OCWD might implement once it purchases the desalinated water from the Project. At this time, OCWD has not reached any conclusions or made any decisions regarding how desalinated could be used by the District and distributed to the local water community, so no specific conveyance and utilization option has been formally selected.

A water purchase agreement between Poseidon and OCWD will not be finalized and considered until after the Project has received all of its required state permitting approvals, including those from the California State Lands Commission, Santa Ana Regional Water Quality Control Board and California Coastal Commission. OCWD continues to monitor the permitting process for these three state agencies. The District is sensitive to the approval conditions that may be placed upon the Project and their potential to increase the cost of the water.

The attached pie charts illustrate the current and potential future projected sources of water supplies to meet demand within the District's service territory. OCWD has a policy and a history of providing reliable high quality water supplies in cost effective and environmentally responsible manners. The Ground Water Replenishment System, soon to be possibly expanded to 134,000 acre-feet per year of water reuse, is a great example of our approach to moving away from climate driven supplies. The Huntington Beach Project's 56,000 acre feet per year capacity could be the next logical step for us to meet our policy goals. The Huntington Beach Desalination Project is the single largest source of new, local drinking water supply available to the region. In addition to offsetting imported water demand, water from the Project could provide flexibility in how the District manages the groundwater basin, specifically the desalinated water could be used to augment supplies we inject into our Talbert Seawater Barrier to help prevent seawater intrusion into the groundwater basin.

It is the District's mission to provide the cities and retail water districts it serves with a reliable, adequate, high-quality water supply at the lowest reasonable cost in an environmentally responsible manner. The Huntington Beach Desalination Project provides the District and Orange County with a unique opportunity to add a large quantity of locally controlled, drought-proof water to our supply portfolio.

The District appreciates your support for the Project and the District's efforts to enhance regional water supply self-reliance by reducing the need to import water from Northern California and the Colorado River.

Sincerely,



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

Attachments: Presentation



Orange County Water District

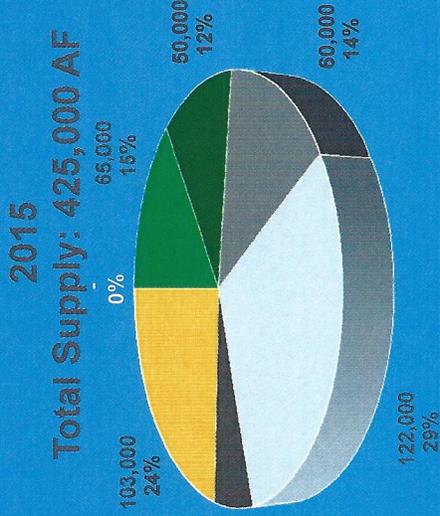
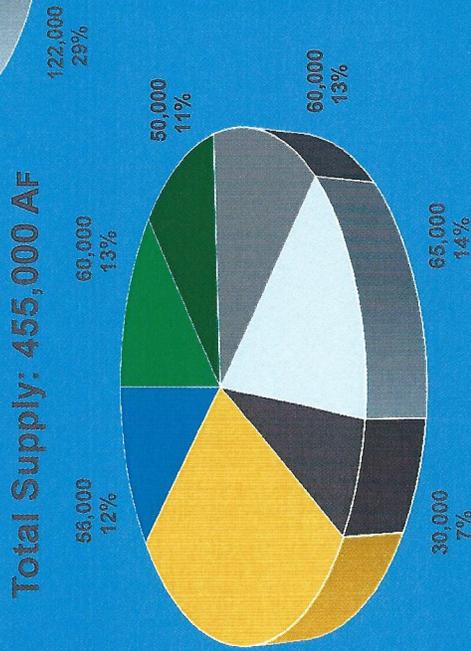
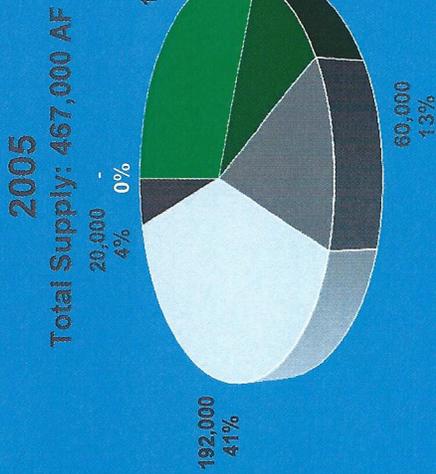
OCWD's mission is to provide a reliable, high quality water supply in a cost-effective and environmentally responsible manner.

OCWD takes the limited water supply found in nature and supplements it to provide water for 2.4 million people in Orange County, California

- Manages the groundwater basin for 19 cities and retail water agencies)
- Leadership in water purification and potable reuse - turning recycled water into drinking water - has been recognized worldwide. The Groundwater Replenishment System (GWRS) is the largest facility of its kind in the world
- Ocean Desalination may be the next step in OCWD's commitment to providing a reliable and sustainable water supply to Orange County



Increasing Orange County's Water Supply Reliability through Supply Diversification With Poseidon Project



- Santa Anna River*
- *OCWD rights to 34,000 AF
- Santa Anna Storm Flows
- Incidental Basin Recharge
- Miscellaneous
- Metropolitan Water District
- HB Desalination
- OCWD GWRS



OCWD Supply Sources – Moving away from climate driven supplies With Poseidon Project

Supply sources	Percentage of supply
2005	
– River Flows and Incidental Recharge	55%
– Imported Water	41%
– Recycled and other	4%
2015	
– River Flows and Incidental Recharge	41%
– Imported Water	29%
– Recycled and other	30%
2023	
– River Flows and Incidental Recharge	37%
– Imported Water	14%
– Recycled and other	37%
– HB Desalination	12%



Historical OCWD Groundwater Basin Overdraft

