



Golden State
Water Company
A Subsidiary of American States Water Company

July 18, 2018

Mr. Michael Markus
General Manager
Orange County Water District
18700 Ward Street
Fountain Valley, CA 92708

Re: OCWD Partnership with Poseidon Resources for the Proposed Huntington Beach
Ocean Desalination Project

Dear Mr. Markus:

Thank you for your letter dated July 12, 2018 responding to Golden State Water Company's (GSWC) concerns regarding additional Orange County Water District (OCWD) Board action towards a partnership between OCWD and Poseidon Resources, for potential development of an ocean desalination plant in Huntington Beach.

Let me clarify once again that GSWC's primary concerns and objections are not with the proposed project itself, but are instead directed at the potential partnership and funding by OCWD of the project, and the associated cost burden of these potential decisions on our customers.

OCWD was established by an act of California legislation to protect and manage our local groundwater resource for the benefit of the groundwater producers within its boundaries. Golden State Water Company fundamentally disagrees that the core mission of OCWD is to "...develop economical new local water supply projects." If, as stated in your response letter, "...partnering with Poseidon Resources and other agencies who desire to participate in the project fits within (OCWD's) mission", please identify the agencies that desire to participate in the proposed project and how they are planning to fund that participation.

The financial model that has been presented by OCWD thus far, is a project financially supported by the OCWD groundwater producers as a group, whether they desire to participate or not. No alternative has been presented that offers an opt out clause for groundwater producers that do not wish to participate at this time and do not wish to pass on to our customers the significant increase in the cost of groundwater production in our basin that would result from the proposed partnership.

Vocal proponents of the OCWD partnership with Poseidon Resources include agencies and water retailers outside of OCWD's service area that would benefit either directly or indirectly from OCWD actions to move this project moving forward. GSWC respectfully suggests these interests fall outside the purview, responsibility and obligations of the OCWD elected Board of Directors and should not weigh into the consideration for OCWD Board action.

I am aware that OCWD began this project partnership exploration over three years ago with a vote by the Board of Directors in support of the first term sheet with Poseidon Resources in May 2015. I am also aware that OCWD funds have been spent since that time and continue to be spent on investigation and consideration of options and alternatives to convey the proposed desalinated water across Orange County. Please provide a cost accounting for the funds spent to date by OCWD on this proposed project and identify where the revenue was generated to fund these efforts. Please also clarify if it is OCWD's intent to recoup these expenses from parties interested in moving forward with the proposed project development and construction.

Summarizing Golden State Water Company's position, continuing to consider actions that move a partnership forward between OCWD and Poseidon Resources for the Huntington Beach Desalination project falls outside of OCWD's primary mission and purpose, will unnecessarily drive up costs for all OCWD stakeholders, and should not be considered at this time.

Sincerely,



Denise Kruger
Senior Vice President, Regulated Utilities
Golden State Water Company

CC: Janice Durant, District Secretary for distribution to the OCWD Board of Directors