



June 6, 2018

Orange County Water District  
Attn: Janice Durant, District Secretary  
18700 Ward Street  
Fountain Valley, CA 92708

Re: Proposed Poseidon Resources Huntington Beach Ocean Desalination Project – New 2018 Term Sheet

Dear Orange County Water District Board of Directors:

Golden State Water Company supports responsible investment in a diverse and reliable water supply portfolio. We appreciate how a locally owned and operated ocean desalination plant, such as the proposed Poseidon project in Huntington Beach, can provide significant benefits in securing long term water supply reliability objectives, if proven to be economically and environmentally viable.

Customers of the Orange County Basin Groundwater Producers have invested in and reaped the benefits from a similar vision realized over time with the Orange County Water District's Groundwater Replenishment System. However, there are significant differences in these two visionary projects, as they relate to our local water supply. The GWRS project was designed, built, financed and operates as a source of reliable recharge and barrier protection source water for our basin. The proposed HB Desalination project is an alternative potable local water supply source proposed to reduce our County's reliance on imported water.

The current project, as presented in staff's report to the OCWD Board in today's Board Meeting Agenda Packet, appears to have significant unknown variables, including the cost and means of conveyance of the finished water, the environmental impacts of this conveyance solution, and the ultimate proposed use of the finished water. Golden State Water Company understands that these matters remain to be determined and appreciates that OCWD will continue to study and share the environmental and economic analyses of these investigations with all stakeholders.

Golden State Water Company does not support a conceptual version of the Huntington Beach Desalination project, as has been proposed in the past, that would result in using the potable finished water from the proposed desalination plant to refill or recharge our groundwater basin, or as consistent source water for the protective barriers needed to sustain and maximize our collective use of the basin. These are not the highest and best use for an expensive potable water supply. Instead, the proposed new local water source should directly offset the need to import an equivalent amount of potable water from other outside sources. OCWD's current economic analysis for this project is built on this very premise.

Golden State Water Company suggests that if OCWD proposes any portion of the desalinated water for use in basin recharge or as source water for protective barriers, then the economic analysis of this portion should be compared to untreated imported water, with the merits and viability of the project adjusted and considered accordingly.

In regards to the potential delivery and sale of potable water to end users, Golden State Water Company suggests that this is not the core purpose or mission of the Orange County Water District. Currently, the proposed project economic analysis relies on funding from all producers in the basin through substantial increases in OCWD's Replenishment Assessment. Golden State Water does not support this funding model and proposes that entities interested and committed to receiving the finished potable water should bear the burden of the expense to develop, finance, construct and operate this proposed new local water resource.

Golden State Water appreciates the vision and commitment of the Orange County Water District Board and staff in continuing to seek out the most economically viable and environmentally sensitive means of optimizing, managing and sustaining our local groundwater resource. We respectfully suggest that the Huntington Beach Desalination project is not a project that OCWD should be investing our customers' funds in and that if the project is economically and environmentally viable, then those entities interested in receiving the benefits from this project, should be prepared to invest in the project accordingly.

Sincerely,

A handwritten signature in black ink that reads "Denise Kruger". The signature is written in a cursive, flowing style.

Denise Kruger  
Senior Vice President, Regulated Utilities