



## IRVINE RANCH WATER DISTRICT

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November 19, 2014

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

Subject: Poseidon Huntington Beach Ocean Water Desalination Project Schedule

Dear President Dewane:

The Irvine Ranch Water District (IRWD) appreciates the recent decision by the Orange County Water District (OCWD) Board of Directors to extend the deadline for providing written comments to the financial report prepared by OCWD's consultant, Clean Energy Capital (CEC), on the Huntington Beach Ocean Water Desalination Project as proposed by Poseidon Resources. This time allows IRWD and the other Groundwater Producers to develop comments that will be useful to OCWD and its consultant in finalizing this report. The purpose of this letter is to express concerns regarding the schedule that OCWD has established for the next steps in its consideration of the proposed desalination project, and to request that OCWD extend the schedule to allow for a more thorough analysis of the proposed project.

OCWD is now contemplating a potential project that could have a serious and long-term cost and other impacts to the residents of Orange County. The financial analysis being developed by OCWD's consultant, CEC, while only one part of the overall analysis, is necessary for the evaluation of the potential costs of this project. Because the costs of this project will be borne by the retail water agencies and ultimately our customers, it is critical that the OCWD Board establish a process to encourage input and feedback from both staff and elected officials from the agencies and cities interested in the proposed project. In addition to properly evaluating the potential costs of this project, the OCWD Board should have a thorough understanding of the policy issues and impacts before taking action on this project.

IRWD has been an active participant in the many discussions conducted over the years regarding the proposal to construct a desalination facility in Huntington Beach. IRWD is in the process of completing its analysis of the draft financial analysis from CEC, and we will be providing comments by the November 21, 2014 deadline. Based on the nature and scope of the comments prepared by IRWD, we anticipate that revisions to the CEC report will be required as a result of comments submitted by IRWD and the other Groundwater Producer agencies. It is our understanding that the current OCWD schedule for finalizing CEC's financial analysis coincides with the proposed OCWD Board Joint Workshop with the Groundwater Producers scheduled for December 10, 2014.

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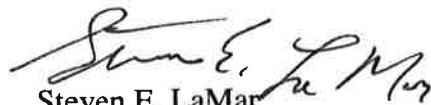
IRWD is concerned that the December 10 deadline to complete the final report does not allow for adequate time to carefully consider and respond to the comments provided by the Producers. This deadline does not take into account the time required for OCWD staff and CEC to discuss individual comments with the Producer Agencies, nor does it allow time for the Producer Agencies to review the final report prior to the Joint Workshop. As a result of these concerns, IRWD respectfully requests the schedule reflect that the Financial Analysis be finalized by the end of December 2014. As part of this request, IRWD also suggests that the Producer Agencies be given the opportunity to review the final report with their respective Boards or Councils to facilitate the adoption of positions relative to the proposed project by mid-February 2015. Based on this revised schedule, the proposed OCWD Board Joint Workshop with the Producer Agencies could be held at the end of February 2015. The need for further consideration of the project by the OCWD Board could then be addressed after this workshop.

Your accommodation of this request to allow sufficient time for OCWD staff and CEC to consider and respond to comments submitted on the draft Financial Analysis in preparing a final report would enhance the productivity of any future discussions regarding this matter. Because this is one of the most significant policy issues considered by OCWD, the importance of fully vetting both the technical and policy elements of this undertaking, and soliciting input from the staff and elected officials representing the retail agencies, cannot be overstated.

Because this topic remains a high priority for IRWD, I would like to propose scheduling an IRWD / OCWD Ad Hoc Committee meeting to discuss IRWD's comments on the draft financial analysis, as well as the other elements of the proposed project. If you agree, I will ask IRWD's District Secretary to schedule this meeting, preferably in early December.

If you have any questions related to the above requests, please do not hesitate to contact me at (714) 227-2869 or IRWD General Manager Paul Cook at (949) 453-5590.

Sincerely,

  
Steven E. LaMar  
Board President