



IRVINE RANCH WATER DISTRICT

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May 14, 2015

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

Subject: Evaluation of Alternatives to Proposed Seawater Desalination Project

Dear President Green:

Irvine Ranch Water District (IRWD) commends the ongoing efforts of Orange County Water District (OCWD) to improve the reliability of water supplies available to the Orange County Groundwater Basin. The investments that OCWD has made in the Groundwater Replenishment System as well as storm water and baseflow capture projects will have a long lasting and cost effective impact on the sustainability of supplies from the basin. OCWD's future investments in water supply projects should undergo the same comprehensive analysis as done for past projects, weighing water supply reliability risks and benefits against project expenses.

IRWD supports the OCWD staff recommendations to compare the proposed Seawater Desalination Project at Huntington Beach against other water supply alternatives. The Alternatives Analysis is a necessary step to determine which project will most effectively achieve OCWD's water supply reliability objectives. To be complete, the Alternatives Analysis should consider how OCWD can optimize the use of existing supplies from Metropolitan Water District (Metropolitan), particularly under different hydrologic conditions. The results of a comprehensive alternatives analysis will establish the basis for and prioritization for developing new water supply projects.

As the primary beneficiaries of OCWD's water supply projects, the Groundwater Producers' participation in the evaluation of water supply alternatives in comparison to the proposed seawater desalination project will be important to OCWD's decision making process. As a result, IRWD recommends that OCWD solicit the participation of the Producers in the alternatives analysis. All of the Producers take the evaluation of the cost effectiveness and reliability of future water supplies very seriously. Without the participation in and acceptance of the alternatives analysis, it will be difficult for

Ms. Cathy Green
President, OCWD Board of Directors
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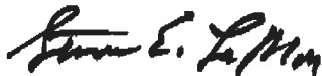
Producer agencies to determine whether or not to exercise the option to purchase water from the project.

Earlier this week, IRWD completed a draft analysis of the proposed project in comparison to the use of existing Metropolitan supplies. This analysis was distributed to the Groundwater Producers, MWDOC, and OCWD staff for their review and comment. IRWD is looking forward to receiving input back to strengthen the analysis so it can be utilized as part of OCWD's planning efforts. The analysis concludes that the increased water supply reliability and the costs of increased reliability associated with the proposed desalination project will be dependent upon the availability of water from Metropolitan and upon the requirements of any Local Resource Program subsidies secured for the project.

IRWD applauds the efforts of OCWD's staff in making progress in the negotiation of the draft term sheet between OCWD and Poseidon Resources for the proposed project. The recent revisions to the term sheet could serve to reduce the cost of water from the project and to reduce the risks to OCWD. IRWD encourages OCWD to continue negotiations to result in the most cost effective terms possible for use in the alternatives analysis.

If you have any questions related to the above, please do not hesitate to contact me at (714)-227-2869 or IRWD General Manager, Paul Cook, at (959)-453-5590.

Sincerely,

A handwritten signature in black ink that reads "Steven E. LaMar". The signature is written in a cursive, flowing style.

Steven E. LaMar
Board President