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ORANGE COUNTY WATER DISTRICT

ORANGE COUNTY'S GROUNDWATER AUTHORITY

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August 3, 2016

Mr. Kurt V. Berchtold
Executive Officer
California Regional Water Quality Control Board, Santa Ana Region
3737 Main Street, Suite 500
Riverside, CA 92501-3348

SUBJECT: Desalination Amendment Chapter III.M.2.b.(2)

Dear Kurt:

We are writing regarding the Santa Ana Regional Water Quality Control Board's ("Regional Board") request for clarification regarding the characterization in the Orange County Water District ("District") Groundwater Management Plan 2015 Update of the demand for desalinated water from the proposed Huntington Beach Desalination Project ("Project").

Chapter III.M.2b.(2) of the Desalination Amendment states, *"Consider whether the identified need for desalinated water is consistent with an applicable adopted urban water management plan prepared in accordance with Water Code section 10631, or if no urban water management plan is available, other water planning documents such as a county general plan or integrated regional water management plan."*

Pursuant to the requirements of Desalination Amendment Chapter III.M.2b.(2), the District's Groundwater Management Plan is the applicable water planning document. Section 2.5 (Table 2-7 Recommendations for 2015-2020) of the 2015 plan identifies the proposed Project as providing the District with up to 56,000 acre feet per year (50 MGD) of new water supply prior to 2020.[i] The characterization of "up to" 56,000 acre feet per year of water acknowledges that the City of Huntington Beach has a separate agreement with Poseidon to purchase water that might reduce the total quantity available to the District.

In evaluating the District's planning documents, it is important for the Regional Board to understand that the District's pursuit of new local water supplies, including the Huntington Beach Project, is based on policies adopted by the board over the past several years. These policies provide the foundation for the District's interest in the Project. Specifically, in January 2013 the District's board of directors adopted a policy to maintain a 75% Basin Production Percentage ("BPP"). This policy goal can only be achieved through the development of new supplies that are locally controlled by the District to ensure that the higher BPP is sustainable over time. In furtherance of this Policy, on May 15, 2013, the board of directors resolved that it is the policy of the District to consider and develop a variety of new, local water resources – including seawater desalination – to ensure sufficient water supplies are always available to the residents and businesses in the service territory. Finally, it is District policy to reduce the BPP if the cumulative groundwater basin overdraft reaches 350,000 acre feet. Today the District groundwater basin is 75% depleted and the cumulative overdraft stands at 370,000 acre feet.

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The District's interest in seawater desalination and specifically the Huntington Beach Project is not a new development and predates the current 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, like the Groundwater Management Plan 2015 Update, acknowledges the City of Huntington Beach's desalinated water purchase right.

The Huntington Beach Project's 56,000 acre feet per year capacity is the single largest source of new, local drinking water supply available to the region. In addition to offsetting imported 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 quality of locally controlled, drought-proof water to our supply portfolio.

Sincerely,

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

Cathy Green
President of the Board

cc: Scott Maloni

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[i] Section 2-5 states, "OCWD plans for the next five years include accomplishment of the recommendations listed in Table 2-7."