



March 19, 2015

Dr. Allan Bernstein, Chairman, OC WISE

Robert Sulnick, Executive Director, OC WISE

The Hon. Cathy Green
President
Orange County Water District
18700 Ward Street
Fountain Valley, CA 92708

Dear President Green,

Orange County Water Independence, Sustainability and Efficiency (OC WISE) is an organization focused on water use efficiency, water recycling and the development of new sustainable water supplies that will help Orange County gain more independence from imported water. The Orange County Water District's (OCWD) commitment to all three of these tenants is to be commended and your recent exploration of desalination as a potential new water supply for Orange County is a responsible and forward-thinking commitment to Orange County's water future.

OC WISE has closely reviewed the term sheet negotiated between OCWD staff and Poseidon Water and would like the OCWD Board to consider the following comments:

1. The shared responsibilities between OCWD and Poseidon are appropriate. The private entity - Poseidon - takes the risk of permitting, building and operating the desalination plant. OCWD takes on the responsibility of building the pipeline to convey the product water to the water distribution system. This is logical since OCWD has built miles of pipeline throughout its service territory and may have the opportunity to defray some of the direct cost through state or federal grants.
2. The "reliability premium" of imported water cost plus an average of 10% over the life of the contract gives OCWD the best of both worlds - a guaranteed, drought-proof, reliable water supply and an affordable cost.
3. It is rare that new water supplies would be less expensive than existing water supply options. To that end, the term sheet minimizes OCWD's risk, while maximizing the agency's benefits. Public-private partnerships (PPP) are designed to put the higher risk of planning, developing and building of state-of-the-art technology on the back of the private sector, which is market-driven to take such risks. While the public agency benefits from that risk-taking effort by obtaining the product at a slight premium if the project succeeds, the public agency also avoids the risks inherent in the project development. Poseidon is assuming all the risk associated with electricity cost and consumption, interest rate changes, changes in law and water quality. Should the plant not produce water in the quality and quantity agreed upon, OCWD will not have to pay.

A community coalition dedicated to the independence, sustainability and efficiency of Orange County's water supplies.

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4. The initial cost of the desalinated seawater based on OCWD's financial consultant expert was estimated to add approximately \$3.50 per month to the average Orange County water bill. Based on the term sheet your staff negotiated however, the additional monthly water bill increase will be less than \$1.00 per month in 2015 dollars. This is a very nominal premium for the benefit of a drought-proof, locally-controlled water supply that reduces Orange County's reliance on imported water significantly.

As many on the OCWD Board are aware, the initial cost of Groundwater Replenishment System water was anticipated to be greater than imported water. In fact, many of the same individuals opposed to the GWRS are now opposed to the Huntington Beach Seawater Desalination facility and are using the same argument that was used 20 years ago. They claim we can't afford a new water supply that will make Orange County more independent from our imported sources.

OC WISE believes we cannot afford to continue down a path of reliance and dependence on an imported water source that continues to be challenged by drought, environmental restrictions, agricultural needs and aging infrastructure.

I encourage you to vote to approve the term sheet and begin negotiations of a water purchase agreement that will bring this needed, affordable, sustainable and beneficial water supply to Orange County.

Sincerely,

Dr. Allan Bernstein
Chairman
OC WISE

cc: OCWD Board of Directors
Mr. Michael Markus, OCWD General Manager

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