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OLIVENHAIN
Municipal Water District
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June 23, 2010

Ms. Maureen Stapleton, General Manager
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

Re: Carlsbad-Poseidon Seawater Desalination Project

Dear Maureen:

The OMWD Board of Directors discussed the above-mentioned matter at its June 23, 2010 Board of Directors Meeting and agreed that the need exists for the San Diego County Water Authority (SDCWA) and Poseidon Resources (Channelside) LLC (Poseidon) to enter into direct negotiations whereby Poseidon would produce and sell desalinated water to SDCWA and all its member agencies.

The OMWD Board agrees that, when a Water Purchase Agreement between SDCWA and Poseidon is executed, the District would relinquish its specific contract rights with Poseidon so that the San Diego region may realize the water supply reliability benefits of the Carlsbad-Poseidon Seawater Desalination Project.

During the pendency of negotiations between the SDCWA and Poseidon, and in a manner conforming to its Water Purchase Agreement with Poseidon, the District agrees to:

- withdraw its request for funding from the SDCWA's Local Water Supply Development Program ("LWSDP"); and
- relinquish its informal request to have the SDCWA consider replacing any lost revenue from the Metropolitan Water District (MWD) Seawater Desalination Program (SDP) as a result of legal or legislative actions by the SDCWA as proscribed in the SDP funding agreement between MWD and the District.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Kimberly A. Thorner
General Manager



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