



Supplement to 2/18/2015 MPWMD Board Packet

Attached are copies of letters received between January 20, 2015 and February 10, 2015. These letters are also listed in the February 18, 2015 Board packet under Letters Received.

Author	Addressee	Date	Topic
Brent Constantz	MPWMD Board	2/5/15	2015 First Quarter Update
Michelle Denning	David J. Stoldt	1/29/15	Fiscal Year (FY) 2015 Basin Study Letter of Interest

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To the Series A Unit Holders, Team Members and Stakeholders of DeepWater Desal, LLC

From: Brent R. Constantz, Managing Member and CEO

Date: February 5, 2015

Re: 2015 First Quarter Update

Dear Friends:

DeepWater Desal LLC (DWD) is pleased provide the following update on our progress towards developing the Monterey Bay Regional Water Project, a desalination plant and datacenter complex in Moss Landing, California.

DWD has invested approximately \$5.25 million in the project to date including approximately \$4 million from founders and our early investors, as well as in-kind grant funding from the Monterey Peninsula Water Management District and in-kind funding from Dynegy's Moss Landing Power Plant. These monies have been utilized to complete DWD's pivotal oceanographic studies and complete our project description and applications in preparation to begin the State and Federal environmental review process.

DWD has filed applications for permits from the California State Lands Commission (CSLC) and Monterey Bay National Marine Sanctuary. Those agencies will act as the lead agencies to prepare and certify a combined Environmental Impact Report and Environmental Impact Statement (EIR/EIS) to satisfy the requirements of the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). We have also met with Lieutenant Governor Gavin Newsom who chairs the California State Lands Commission and briefed him on the project and our application.

In early March DWD will participate with California State Lands Commission, Monterey Bay National Marine Sanctuary and California Coastal Commission staff members for a scoping meeting at the California Coastal Commission's offices in San Francisco. The CSLC will then issue a Notice of Preparation to begin the EIR/EIS process.

The Monterey Peninsula Water Management District continues to supply in-kind funding for our entitlement process for up to a total contribution of \$800,000. As the State Lands Commission and the Monterey Bay National Marine Sanctuary are kicking off the EIR/EIS process, this in kind funding will cover about half of the cost of the EIR/EIS -- giving the residents of the Monterey Peninsula a real stake in our success.

In January, DWD successfully executed a definitive Purchase and Sale Agreement for the 110 acre site and associated easements in Moss Landing from Dynegy Corporation (the owner and operator of the Moss Landing Power Station). The site is perfect for the desalination plant and located next to broadband network infrastructure along the Union Pacific rail line which provides DWD exclusive access to high speed and high capacity fiber for the datacenter complex.

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DWD has entered into an MOU with Castroville Community Services District for water offtake and we are in advanced discussions with the City of Salinas and their water utility, California Water Services Company (or Cal Water), to provide the City with water for municipal use. Water supplied to Cal Water from our project can be used to replace its current groundwater supply which will help stop the advance of saltwater intrusion into the fresh water basin in the Salinas Valley.

Kennedy Jenks, a nationally known engineering firm, was hired by the Monterey Peninsula Water Management District and the Soquel Creek Water District in Santa Cruz County to perform an independent evaluation of DWD's project costs. The report from Kennedy Jenks validated our cost projections and local media has reported that the cost of delivering water to the Monterey Peninsula from the DWD project will be 45% less than the projected cost of water delivered from the proposed California American Water Company (CalAm) desalination project in Marina.

DWD has also updated our website to include additional scientific studies and video presentations relevant to the project. (www.deepwaterdesal.com).

Importantly, DWD has continued to communicate with the environmental community about the benefits of a drought-proof water supply compared to other water supply options that decimate the groundwater basins and tributaries around Monterey Bay, such as the Carmel River, the Salinas River, the Pajaro River, Soquel Creek, and the San Lorenzo River. Through our oceanographic studies, we have demonstrated that the environmental impact of drawing in seawater from a deep-water intake for desalination has a far lesser impact on the environment. DWD's project is a balanced, prudent and sustainable approach to obtaining a new supply of fresh water around Monterey Bay (compared to more controversial and untested approaches to sourcing ocean feedwater) and vastly superior to continued over-exploitation of our limited groundwater and river resources.

On the financing and investment front, we are pleased to have closed our Series A round and will be working with our investment bankers to place a significant Series B institutional round later this year. In the interim, we are in discussions with a few possible strategic partners about a Series A1 financing at a midpoint valuation to support an even more aggressive development trajectory. If we determine to pursue this funding, existing Unit holders will be offered the opportunity to participate in the Series A1 round on a pro rata basis.

We are always available to you for any questions. As an investor in DWD we appreciate your support and we continue to move at full speed to bring about our innovative desalination and datacenter project.

Sincerely,

A handwritten signature in black ink that reads "Brent Constantz".

Brent R. Constantz, Ph.D.
Managing Member & CEO



United States Department of the Interior

BUREAU OF RECLAMATION
 Mid-Pacific Regional Office
 2800 Cottage Way
 Sacramento, CA 95825-1898

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IN REPLY REFER TO:

MP-720
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JAN 29 2015

Mr. David J. Stoldt
 General Manager
 Monterey Peninsula Water Management District
 P.O. Box 85
 Monterey, CA 93942

Subject: Fiscal Year (FY) 2015 Basin Study Letter of Interest

Dear Mr. Stoldt:

With this letter, the Bureau of Reclamation announces the initiation of the FY 2015 Basin Studies selection process, and requests letters of interest from eligible non-Federal entities interested in participating in a basin study. The President's FY 2015 budget request includes approximately \$2.0 million for basin studies. We anticipate funding two to three studies in FY 2015, however all funding will be contingent upon final FY 2015 appropriations. We invite you to consider initiating a basin study by submitting a letter of interest to this office no later than February 25, 2015.

Through the basin studies, Reclamation works with state and local partners to conduct comprehensive water supply and demand studies of river basins in the Western United States. Basin studies include four main elements: (1) projections of water supply and demand, including the risks of climate change; (2) an analysis of how existing water and power infrastructure and operations will perform in response to changing water realities; (3) the development of adaptation and mitigation strategies to improve operations and infrastructure to supply adequate water in the future; and (4) a trade-off analysis of the strategies identified. The study process will also include opportunities for input from other interested basin stakeholders.

Basin studies are part of the WaterSMART Basin Study Program within the Department of the Interior initiative established by Secretarial Order 3297, and are a key component of Reclamation's implementation of the SECURE Water Act (SWA), Subtitle F of P.L. 111-11. Basin studies should specifically consider the risks and impacts enumerated in section 9503(b)(2) and section 9503(b)(3) of the SWA to the extent applicable. Information regarding these risks and impacts may include baseline analyses developed through the West-Wide Climate Risk Assessments, another activity under the WaterSMART Basin Study Program, or may be developed further as part of the Basin Studies as needed.

We are asking interested non-Federal entities to submit a short letter of interest (not to exceed 3 pages) to Reclamation's Mid-Pacific Regional Office, 2800 Cottage Way, MP-720, Sacramento, CA 95825 by February 25, 2015.

Because the Mid-Pacific Region already has basin studies underway in the Truckee, Klamath, Sacramento, San Joaquin, and Tulare Lake basins, letters of interest should only be submitted for areas outside of these basins.

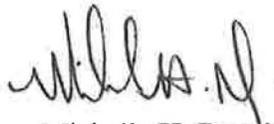
Those non-Federal participant(s) recommended by our office for further consideration will then work with Reclamation to develop a joint study proposal (not to exceed 20 pages) to be evaluated and ranked by a Reclamation-wide review committee.

Cost-share partners must contribute at least 50 percent of the total study costs as cash or in-kind services. Basin studies are not a financial assistance program; therefore Reclamation's share of the study costs may only be used to support work done by Reclamation or its contractors.

We encourage you to become familiar with Reclamation's Basin Study website (<http://www.usbr.gov/WaterSMART/bsp/index.html>), which includes information about previously selected basin studies. For additional information regarding Reclamation's Basin Study funding and selection process, refer to the Reclamation Manual Basin Studies Temporary Directive and Standard, which can be found at http://www.usbr.gov/recman/temporary_releases/wtrtrmr-65.pdf.

If you have questions or would like additional information about the Basin Studies program, please contact Mr. Arlan Nickel, MP Region Basin Study Coordinator, at 916 978-5061 or anickel@usbr.gov.

Sincerely,



Michelle H. Denning
Regional Planning Officer

cc: Mr. Larry Hampson
District Engineer
Monterey Peninsula Water Management District
P.O. Box 85
Monterey, CA 93942