EXHIBIT 4-B

DRAFT

[Date]

CAPT Gerral David, Commanding Officer
Naval Support Activity, Monterey

[Need address at NSAM]

Monterey, CA 93943-5035

SUBJECT: Letter of Introduction Concerning the Potential to Locate a Seawater Desalination Facility on U.S. Navy Property

Dear LCDR Haun:

I am writing to request a meeting with you concerning the potential to enter into a long term lease with the Department of the Navy to locate a relatively small seawater reverse osmosis (SWRO) desalting facility on U.S. Navy property located near the Naval Support Activity, Monterey. Monterey Peninsula Water Management District (MPWMD or District) staff recently met with the Public Works Department at Naval Support Activity, Monterey and the Public Works Officer, LCDR Eric C. Haun, who asked for additional information concerning the District's space and power requirements and requested that MPWMD consider providing the Navy with water from the project.

The MPWMD Water Supply Planning Committee and the MWPMD Board of Directors (Board) considered a preliminary layout and proposal for building a local desalination facility on Navy property. The Board appointed General Manager Dave Stoldt and I [Chairman Brower? other Director? Needs to be a person directed by the Board to meet with Navy] to represent MPWMD in this matter. We would like to meet with you at your earliest convenience to discuss the following:

<u>Proposed layout and area requirements for the facility</u>

MPWMD estimates that for a two million gallon per day (MGD) facility, approximately ____ square feet would be required (see enclosed Figure 1). The facilities would consist of:

- Ocean intake and supply system capable of up to 5 mgd or about 3,500 gallons/minute. A 24-inch diameter intake pipe would be connected either to a Ranney collector under the seabed or an open ocean intake extending offshore. The pipeline would likely cross under the Monterey Regional Water Pollution Control Agency (MRWPCA) transmission line along Del Monte Beach adjacent to Navy property (to be determined with preliminary design). The length and

depth of the pipe is to be determined after a hydrostratigraphic survey of the offshore area and a water quality study is completed.

- Pre-treatment facilities (for solids removal and filtration prior to RO). One of the existing open tank areas could be used to site these facilities. Solids would be disposed of offsite (possibly to the MRWPCA Regional Treatment Plant or RTP).

- SWRO/post-treatment facilities. A new building would be built in one of the existing open tank areas. The building would rise up one story above the top of the existing tanks and be architecturally designed to blend into the urban landscape surrounding the facility. The building would include a laboratory, maintenance area, chemical storage, SWRO pumps and filters, and post–treatment equipment and facilities.

- Residuals/brine disposal facilities. Brine would be discharged offsite either to the RTP or to a discharge line located on or under the ocean floor (to be determined after preliminary design and permit constraints analysis and hydrostratigraphic analysis).

- Post-treatment clear well and system distribution facilities. A tank would be built to hold water prior to delivery into the Cal-Am water distribution system. A clear well could be located in one of the existing open tank areas. A 12-inch diameter pipeline would be built along the existing access road and connected to the Cal-Am system. This would be capable of delivering 2 mgd (about 1,400 gpm). MPWMD recommends that the Navy remain connected to the Cal-Am delivery system to assure a reliable water supply.

- Electrical building. A small (40 feet x 20 feet) building would be constructed to receive and distribute power for the facility.

Power Needs

Industry estimates of power to produce freshwater from saltwater vary with the quality of source water and the types of filtration used, but it is likely that up to 14 kilowatt hours (kWh) per 1,000 gallons of freshwater would be required, or about 28,000 kWh/day. MPWMD estimates that a three-phase 480 Volt/2,000 amp service would be required to supply the energy needs for the project. MPWMD would like to discuss the potential for an agreement that would allow in-kind services by the Navy to provide some or all of the power for the desalination plant in exchange for water delivered to Naval Support Activity, Monterey. This would appear to be a “win-win” situation since powering the project from a local energy source would reduce the impact on the power grid and would likely result in fewer greenhouse gas emissions.

Water Availability for the Navy

The Navy requested that MPWMD consider a commitment to provide water to Naval Support

Activity, Monterey. MPWMD is interested in pursuing an agreement with the Navy that would accommodate the Navy's need. Our understanding is that currently, the Navy uses about 30 million gallons per year (about 92 acre-feet) for indoor use (outdoor water requirements are satisfied by stormwater retention and reuse). MPWMD is not a water retailer at this time, so it is likely that there would need to be an agreement that allows Cal-Am, the existing water purveyor, to accept desalinated water and supply it through the Cal-Am system to the Navy. However, the Navy would still be subject to the same limitations and requirements that the local community must meet, such as paying a connection charge for additional water and being subject to the same rationing requirements as the general population during a time of shortage.

Timeline

Because of the environmental analysis and potential lengthy permit processes involved with this type of project, MPWMD estimates that project development and completion will take about six years (please see the enclosed Implementation Plan).

I look forward to working with the Naval Support Activity in Monterey to investigate the potential for using this site to meet a critical water supply need for the Monterey Peninsula. If you have questions about this letter or would like to arrange a meeting, please call me at (831) _____ or you may call the MPWMD General Manager Dave Stoldt at (831) 658-5650.

Sincerely,

_____, MPWMD Chair

Enclosures: Figure 1- Seawater Reverse Osmosis Desalination Facility Schematic
Implementation Plan for Water Project 3 – Local Desalination

Cc: Eric C. Haun, PE, LCDR, CEC, USN
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Naval Support Activity, Monterey
Public Works Department
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MPWMD Directors
City of Monterey City Manager Fred Meurer
Dave Stoldt, MPWMD General Manager

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