

Commander William A. Dos Santos
May 24, 1995
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The second item was that OCWD/DON calculate the "margin" required to make the Irvine Desalter Project (current design and "hybrid") economically viable, by May 26, 1995. As previously noted, an economic model has been created. OCWD would like to receive concurrence from DON on the acceptability of this model and the economic assumptions before proceeding further.

The third item was that DON estimates the cost of DON's "stand alone" system for VOC remediation in the principal aquifer and deliver to OCWD by June 2, 1995. OCWD would encourage DON's completion and delivery of this information (as well as information on remediation in the shallow aquifer on base) to OCWD as an integral part of the evaluation that is still needed.

The fourth item is that OCWD submits a counter-offer to DON including a revised settlement agreement with settlement cost figure and accompanying cost-allocation formula rationale by June 16, 1995. At this time there appears to be several unresolved issues to be settled before OCWD is prepared to respond with a counter-offer. OCWD believes that all such issues can be resolved, based on the continuing level of cooperation by DON and OCWD to reach agreement.

At this time, OCWD is completing a letter to the regulators regarding potential reinjection of VOC-treated water that remains high in TDS and nitrates, as proposed by DON. With this in mind, it is proposed by OCWD that we plan to meet again after DON has reviewed this letter, and after DON has responded to the other items noted in this letter.

OCWD remains confident that DON and OCWD can continue to move ahead on the issues at hand and can reach agreement on a project that meets the needs of both parties. We look forward to meeting with you in early June to address these and other project issues.

Sincerely,

ORANGE COUNTY WATER DISTRICT



William R. Mills Jr., P.E.
General Manager