

INTERAGENCY PERMIT SEQUENCING FRAMEWORK AGREEMENT

This agreement ("Framework Agreement") is entered into on October 3, 2016 by and between the staffs of the California Coastal Commission, Santa Ana Regional Water Quality Control Board, and California State Lands Commission.

The California Coastal Commission, Santa Ana Regional Water Quality Control Board, and California State Lands Commission all have permitting or leasing authority over Poseidon Resources (Surfside) LLC's ("Poseidon") 50 million gallon-per-day Huntington Beach Desalination project ("Poseidon Project"). These three agencies agree that the following permit sequence framework agreement sets forth the process and sequence of their respective agency's action on the Poseidon Project, which each deem to be consistent with their respective statutory and regulatory permitting authority:

State Lands Commission – Poseidon has submitted an application to the State Lands Commission for an amendment to the October 29, 2010 Amendment of Lease No. PRC 1980.1. The State Lands Commission agrees to consider the Poseidon Project in connection with the proposed amendment first at a properly noticed, public meeting. Consistent with the requirements of the California Environmental Quality Act ("CEQA"), the State Lands Commission shall rely on the 2010 City of Huntington Beach certified Subsequent Environmental Impact Report ("SEIR") as well as prepare any additional environmental analysis required by CEQA in connection with its consideration of the Poseidon Project. The CEQA environmental analysis will be sufficient to address Poseidon's proposed seawater intake and discharge technology modifications to the Project. The State Lands Commission will reasonably consider any comments by the Coastal Commission and the Santa Ana Regional Water Quality Control Board regarding the CEQA analysis conducted by the State Lands Commission staff and will seek to obtain from each agency a sufficient description of the CEQA analysis of the proposed seawater intake and discharge technology modifications to the Project that these agencies deem necessary for them to rely on the State Lands Commission's certified CEQA analysis. The State Lands Commission staff plans for the Commission to jointly consider the Lease No. PRC 1980.1. amendment and the CEQA document before the end of the 2nd quarter of 2017.

Santa Ana Regional Water Quality Control Board – Poseidon has submitted an application to the Santa Ana Regional Water Quality Control Board ("Regional Board") for amendment and renewal of Order No. R8-2012-0007, NPDES No. CA8000403 (2012 NPDES Permit) and the California Water Code Section 13142.5(b) compliance determination in connection with the Poseidon Project. Based on information available to the Regional Board at this time, the Regional Board may want additional environmental information and analysis on the Orange County Water District (OCWD) groundwater injection system plans (should they involve desalinated water from the Huntington Beach Desalination Facility in new injection wells) in support of the Regional Board consideration of Poseidon's NPDES Permit amendment/renewal and Water Code section 13142.5(b) compliance determination. The Regional Board agrees to make available for public review its tentative order amending and/or renewing the 2012 NPDES Permit and tentative Water Code section 13142.5(b) compliance determination within 90 days of: (a) a Regional Board determination that complete applications have been submitted for the

amended or renewed 2012 NPDES Permit and the tentative Water Code section 13142.5(b) compliance determination; (b) a final approval by the State Lands Commission regarding Poseidon's application for an amendment to the October 29, 2010 Amendment of Lease No. PRC 1980.1; and (c) approval and/or certification of any and all CEQA documents and related environmental information and analysis necessary for the Regional Board to act as a CEQA Responsible Agency in connection with the Poseidon Project. As a CEQA Responsible Agency, the Regional Board shall consult, as necessary, with the State Lands Commission regarding the areas of CEQA analysis it may require on Poseidon's proposed seawater intake and discharge technology modifications prior to the release by the State Lands Commission of the CEQA analysis for public comment, and the Regional Board agrees that, except as otherwise required by CEQA, in developing its draft Tentative Order it can rely on the 2010 City of Huntington Beach certified Subsequent Environmental Impact Report (SEIR) in combination with CEQA analysis prepared and approved by the State Lands Commission in its evaluation of Poseidon's proposed seawater intake and discharge technology modifications for the purposes of complying with CEQA. Regional Board staff agrees to consult with Coastal Commission staff on the Poseidon Project's Marine Life Mitigation Plan to ensure both agencies' staffs recommend approval of the same mitigation permit conditions.

California Coastal Commission – The California Coastal Commission staff agrees to schedule a hearing on the Poseidon Project's Coastal Development Permit application on a date that is by the earlier of (a) 90 days from the Santa Ana Regional Water Quality Control Board's public release of the Tentative Order on the amendment and renewal of Order No. R8-2012-0007, NPDES No. CA8000403 and the California Water Code Section 13142.5(b) compliance determination; or (b) the first Southern California Coastal Commission hearing following the Santa Ana Regional Water Quality Control Board Tentative Order public release, provided that there are at least 21 days between the date of the Regional Board's staff's action and the "first mailing" date for that Commission meeting. The Coastal Commission staff agrees to consult with the Regional Board staff on the Project's Marine Life Mitigation Plan to ensure both agencies staffs recommend approval of the same mitigation permit conditions. The Coastal Commission staff agrees the Santa Ana Regional Water Quality Control Board will determine the best available site, design, technology and mitigation measures feasible to minimize the intake and mortality of all forms of marine life as required by California Water Code Section 13142.5(b).

Nothing in this Framework Agreement is intended to constrain the ability of any public agency or body to exercise its lawful discretion to approve, deny, or impose conditions on the Poseidon Project.

This Framework Agreement has been agreed and accepted by the staffs of the California Coastal Commission, Santa Ana Regional Water Quality Control Board, and California State Lands Commission. The following signatories affirm that they have the authority to bind their respective agencies to the terms of this Framework Agreement.

California Coastal Commission:

[Name/Title] John Ainsworth, Acting Executive Director

[Signature] 

[Date] October 3, 2016

California State Lands Commission:

[Name/Title] _____

[Signature] _____

[Date] _____

Santa Ana Regional Water Quality Control Board:

[Name/Title] _____

[Signature] _____

[Date] _____

**Acknowledged by:
Poseidon Resources (Surfside) LLC**

[Name/Title] _____

[Signature] _____

[Date] _____

California Coastal Commission:

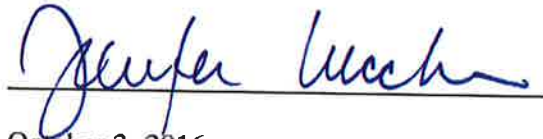
[Name/Title] _____

[Signature] _____

[Date] _____

California State Lands Commission:

Jennifer Lucchesi, Executive Officer

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October 3, 2016

Santa Ana Regional Water Quality Control Board:

[Name/Title] _____

[Signature] _____

[Date] _____

Acknowledged by:

Poseidon Resources (Surfside) LLC

[Name/Title] _____

[Signature] _____

[Date] _____

California Coastal Commission:

[Name/Title] _____

[Signature] _____

[Date] _____

California State Lands Commission:

[Name/Title] _____

[Signature] _____

[Date] _____

Santa Ana Regional Water Quality Control Board:

[Name/Title] Kurt V. Berchtold, Executive Officer

[Signature] Kt V. Berchtold

[Date] 10/3/16

Acknowledged by:

Poseidon Resources (Surfside) LLC

[Name/Title] _____

[Signature] _____

[Date] _____

California Coastal Commission:

[Name/Title] _____

[Signature] _____

[Date] _____

California State Lands Commission:

[Name/Title] _____

[Signature] _____

[Date] _____

Santa Ana Regional Water Quality Control Board:

[Name/Title] _____


[Signature] _____

[Date] _____

Acknowledged by:

Poseidon Resources (Surfside) LLC

[Name/Title] Scott Mahni Vice President

[Signature] 

[Date] October 3, 2016