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November 25, 2013

Michael Brennan
U.S. Department of State
Bureau of Energy Resources, Office of Energy Diplomacy
2201 C Street, NW
Washington, D.C. 20520

Subject: Application of Otay Water District for Presidential Permit Authorizing the Construction, Connection, Operation, and Maintenance of a Cross-Border Liquid Pipeline for the Importation of Desalinated Seawater to be Located at the United States-Mexico Border in San Diego County, California

Dear Mr. Brennan:

Otay Water District ("Otay"), pursuant to Executive Order 11423, 33 Fed. Reg. 11714 (Aug. 16, 1968), as amended, and Executive Order 13337, 69 Fed. Reg. 25229 (Apr. 30, 1994), respectfully submits this application ("Application") to the United States Department of State ("State Department") for a Presidential Permit authorizing the construction, connection, operation, and the importation of desalinated seawater at the International Boundary between the United States and Mexico in San Diego County, California. In addition, Otay is requesting the State Department to lead the National Environmental Quality Act ("NEPA") process for the Otay Mesa Conveyance System Project that will convey desalinated seawater from the new border crossing approximately four miles northeast to the District's Roll Reservoir in San Diego County (the "Project"). Otay's proposed border crossing facility will constitute a portion of the overall project (see Attachment 1). The Project would provide a new water supply source from the U.S./Mexico International Border to Otay's potable water system and ultimately be delivered to their drinking water customers, reducing the strain and demand on the region's already limited water supply.

Identifying Information. The California State Legislature authorized the District as a California special district in 1956, under the provisions of the Municipal Water District Law of 1911, Division 20 (commencing with Section 71000) of the Water Code of the State of California and granted its entitlement to imported water. The District is a revenue-neutral public agency, where each end user pays their fair share of costs for capital improvements, water acquisition, and the operation and maintenance of facilities. Its elected Board of Directors enacts and establishes Otay's ordinances, policies, taxes, and rates for providing wastewater, potable water, and recycled water services. The District is a member agency of the San Diego County Water Authority ("Water Authority"), where they purchase all of their potable water. The Water Authority is responsible for the transmission of imported water supply within San Diego County to its member agencies, and is itself a member of The Metropolitan Water District of Southern California ("MWD").

Communications with respect to this application should be directed to:

Bob Kennedy, P.E., Engineering Manager
Otay Water District
2554 Sweetwater Springs Boulevard
Spring Valley, CA 91978-2004
Telephone No.: 619-670-2273
email: bob.kennedy@otaywater.com

Description of Proposed Border Crossing Facility. The proposed new border crossing pipeline will consist of a single 20-foot-long spool of 48-inch inside diameter ("ID") cement mortar lined and coated ("CML&C") welded steel pipe that will straddle the international border (10-feet into each country). The pipeline will have a maximum daily import capacity of 50 million gallons per day ("MGD") of desalinated seawater from a new interconnection with the NSC Agua Rosarito Beach Desalinated Water Treatment Plant conveyance pipeline at the U.S./Mexico border. The proposed border crossing will be located approximately 2.45 miles east of the existing Otay Mesa Port of Entry on the U.S./Mexico international border in San Diego County, California and is approximately 200-feet east of the centerline of San Diego Gas and Electric Company's ("SDG&E") existing electric and natural gas transmission facility crossing of the U.S./Mexico border as shown in Attachment 2. Otay will acquire an easement from the International Boundary and Water Commission ("IBWC") to maintain a 40-foot-wide permanent right-of-way for the border crossing conveyance pipeline.

Pipeline materials will be welded steel and will be:

- Steel Strength $F_y = 36,000$ PSI;
- 80-mil dielectric coating per AWWA C214 or C215;
- 1.25-inch thick Type II Portland cement-mortar armor-coat; both shop-applied over the dielectric coating and field-applied at the joints.

Construction would require the removal of two full border fence panels (8-foot-wide by 8-foot-tall per panel), one border fence column, and the associated concrete footing (see Attachment 3). The contractor will excavate an 8-foot-wide by 10-foot-deep trench up to, across, and approximately 10-feet south of the international border. The trench walls would be sloped or shored as recommended by the Project's geotechnical consultant. The pipe bedding material will be installed and compacted to the correct grade and the cross border piece of pipe installed and connected at both ends. Any shoring will then be removed and the trench backfilled and compacted. The border footing, column, and fence panels will be re-installed to its pre-existing condition and the area graded to pre-construction contours. Construction can be completed in one day and will be closely coordinated with U.S. Customs and Border Protection, who owns and maintains the border fence.

The border crossing pipeline segment will be the final pipeline segment constructed. Approximately four miles of 48-inch ID diameter CML&C welded steel pipe and appurtenant facilities will be constructed from Otay's Roll Reservoir then south in the dedicated public right-of-way of Alta Road and east along Paseo de la Fuente, to the Otay Crossings Development and paralleling the SDG&E electric transmission easement to a location approximately 10-feet north of the U.S./Mexico International Border. Other Project facilities include a metering station, and possibly a booster pump station and treatment facilities (depending on the terms of the Water Purchase Agreement with NSC Agua). The full Project is shown on Attachment 4. These facilities

will allow the conveyance of desalinated seawater produced in Rosarito Beach, Baja California, Mexico to Otay's potable water system for ultimate distribution to their drinking water customers, in full compliance with federal and state domestic drinking water regulations.

National Interest. It is in the national interest of the United States that water is available to meet growing demand. A reliable water supply system is crucial to the effective functioning of the economy and our quality of life. This is particularly true in the arid southwest, where the majority of water is supplied from other parts of the country. Spanning parts of seven states in the U.S. and two northern states in Mexico, the Colorado River Basin is one of the most critical sources of water in the West. The U.S. Bureau of Reclamation (USBR) confirmed that there are likely to be significant shortfalls between projected water supplies and demands in the Colorado River Basin in the coming decades. Jeffrey Kightlinger, General Manager of MWD, stated in their September 10, 2013 Newsletter that, "we have reached an era of limits on the amount of water we can import from Northern California and the Colorado River, so we must explore any and all options to maximize local resources." Colorado River water supplies are of such concern, that the IBWC, United States and Mexico sections issued Treaty Minute Number 319 to identify cooperative opportunities to help ensure that the Colorado River system would be able to meet the needs of both nations. Minute No. 319 also indicated that both countries support the implementation of binational collaborative projects to generate water to benefit both.

The Project is just such a binational collaborative project to reduce dependency on Colorado River water and provide a new water supply source in southern California. NSC Agua S.A. de C.V., a Mexican corporation, and Consolidated Water Co. Ltd., a publicly-traded company that operates desalination plants and water distribution systems in the Caribbean, Southeast Asia and Mexico, are developing a 100 mgd reverse osmosis seawater desalination plant and pump station in Rosarito Beach, Baja California, Mexico, and pipelines to convey the desalinated water to Tijuana, Mexico, and deliver 20- to 50 mgd to the Mexico/U.S. border that will be purchased by Otay.

Otay has taken the lead to secure a new water supply source in southern California that supports a major metropolitan area. Its intent is to improve water reliability, meet future demands, and reduce the need for Colorado River and other traditional water supply source waters. The proposed border crossing pipeline is a binational collaborative project to share a scarce and valuable resource between the U.S. and Mexico. It supports the intent of the IBWC treaty and is in the national interest of the United States.

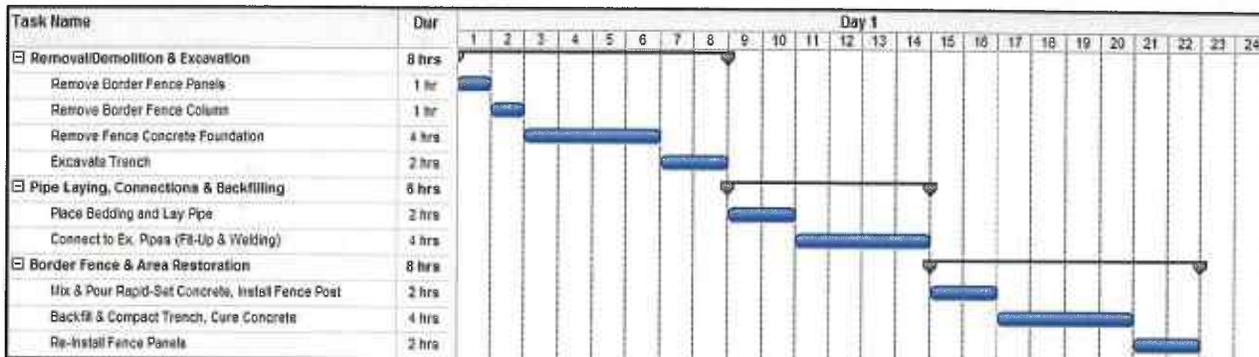
Pre-Existing Facilities. The Project would not be the first to cross the International Border. Otay has an existing 24-inch diameter pipeline at Alta Road that crosses the U.S.-Mexico international border to provide an emergency water connection to Mexico. There are also existing cross-border facilities (overhead electric transmission and a natural gas pipeline) owned by SDG&E that cross the border east of the proposed East Otay Mesa Port of Entry and west of the District's proposed desalinated water pipeline easterly alignment (S2). The locations of these facilities are shown on Attachment 5.

Owners:

30" Emergency Water Pipeline:
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004

230kV Electric & 30" 800 PSI Gas:
San Diego Gas & Electric Company
8315 Century Park Court
San Diego, CA 92123-1550

Construction Plan. To complete construction of the border crossing as quickly as possible, it is anticipated that Otay's contractor will schedule a 24-hour work day, as follows:



The construction period for the conveyance facilities to Roll Reservoir are estimated at approximately 9-10 months in duration. A total Project schedule is included as Attachment 6.

Financing. The Project would be a capital expenditure by Otay and is included in its Capital Improvement Program (CIP). Facilities required to support new sources of water are funded from new supply fees or user rates. The District Finance Department has determined that 60% of the funding is available from the Betterment Fund and 40% of the funding is available from the New Water Supply Fee Fund.

Mexican Approvals. The IBWC, United States and Mexico Sections issued Minute No. 319, "Interim International Cooperative Measures in the Colorado River Basin through 2017 and Extension of Minute 318 Cooperative Measures to Address the Continued Effects of the April 2010 Earthquake in the Mexicali Valley, Baja California." This Minute includes opportunities for International Projects, specifically "New Water Sources Projects" that identified a Binational Desalination Plant project in Rosarito Beach, Baja California, Mexico.

Otay has conducted discussions with various Mexican officials. These have resulted in a better understanding of the various projects and initiatives by local, state, and federal agencies in Mexico. Otay is continuing in their pursuit of this project and their discussions with Mexican officials.

U.S. Approvals. Approvals (permits, licenses, or entitlements) required for the Project are shown in the table below.

| Agency or Organization | Actions, Permits and/or Licenses | Description |
|---|---|--|
| U.S. Department of State (State Department) | Presidential Permit | Authorization to construct, operate and maintain a new border crossing water pipeline. |
| | NEPA Document | Lead agency for preparation of an EIS, to approve the alternative selected, and sign a Record of Decision for the project. |
| | Archaeological Resources Protection Act (ARPA) permit | Required for excavation and/or removal of archaeological resources from the Federal land it administers. |

| Agency or Organization | Actions, Permits and/or Licenses | Description |
|---|---|--|
| United States Army Corps of Engineers (USACE) | Section 404 – Nationwide Permit (#12) | Construction activities affecting surface waters (including wetlands) of the United States must be permitted in accordance with Section 404 of the Clean Water Act. USACE Section 404 Nationwide Permit #12, Utility Line, would apply for temporary impacts during construction. |
| United States Fish & Wildlife Service (USFWS) | Section 7 Consultation | Pursuant to the Endangered Species Act of 1973, if federally listed threatened or endangered species may be affected by project construction, the NEPA lead agency will enter into formal consultation with USFWS to prepare a Biological Assessment and identify appropriate mitigation. |
| Otay Water District | Preparation of CEQA environmental document | Otay Water District is the CEQA lead agency for preparation of an EIR, will make a decision to certify the EIR and approve/deny the proposed action, and if approved sign a Notice of Determination for the project. A mitigation monitoring and reporting program, CEQA candidate findings and, if necessary, a statement of overriding considerations will be approved. |
| California Department of Fish and Wildlife (CDFW) | Section 1601 Streambed Alteration Agreement | A streambed alteration agreement would be required for pipeline construction impacts to wetlands. |
| California Department of Public Health (CDPH) | Domestic Water Supply Permit Amendment | An amendment to the District's Domestic Water Supply Permit is required because the proposed action will add a new source of water supply for Otay. |
| California State Water Resources Control Board (SWRCB) | Coverage under NPDES General Permit for Storm Water Discharges Associated with Construction Activity | A general permit to discharge storm water associated with construction activity including clearing, grading and excavation activities which disturbs greater than 1 acre of total land area is required. Permit Registration Documents (PRDs) must be submitted online via SMARTS to the SWRCB. The PRDs include a Notice of Intent (NOI), site map, Risk Assessment, and Storm Water Pollution Prevention Plan (SWPPP). |
| California Regional Water Quality Control Board, San Diego Region (RWQCB) | 401 Certification Letter or Waiver | Water quality certification is required in order to meet USACE Section 404 permit requirements. |
| | National Pollutant Discharge Elimination System (NPDES) General Permit - Discharges of Hydrostatic Test Water and Potable Water | Discharges to surface waters of hydrostatic test water and potable water from pipeline testing require a NPDES permit. The Regional Board has a general permit to cover these types of discharges. The general permit applicable to this Project is "California Regional Water Quality Control Board, San Diego Region Order No. R9-2010-0003, NPDES No. CAG679001, General Waste Discharge Requirements for Discharges of Hydrostatic Test Water and Potable Water to Surface Waters and Storm Drains or Other Conveyance Systems within the San Diego Region." |
| | NPDES Individual Permit (Livestream Discharges) | This permit may be required in the event that Otay detects that the water coming from Mexico does not meet water quality regulations and needs to be discharged to a watercourse. Although this is an unlikely occurrence, an NPDES permit, depending on the volume of water discharged, would be required. This situation will be discussed with the RWQCB to precisely determine the permit required. |

| Agency or Organization | Actions, Permits and/or Licenses | Description |
|--|---|--|
| San Diego County Department of Public Works (County) | Encroachment Permit if installation of pipelines or any structure or object of any kind is placed in, under or over any portion of County Road Right-of-Way | An Encroachment Permit would be required to allow construction of the pipeline within County road right-of-way. |
| San Diego Gas & Electric Company (SDG&E) | Permission to Grade Letter and Joint Use Agreement | The proposed pipeline will cross existing SDG&E electric and gas transmission corridors. SDG&E will require Otay to obtain Permission to Grade letters prior to construction in order to protect both SDG&E facilities and the contractor from high voltage lines and high pressure gas mains. |
| CPN Pipeline Company | Conflict Review | Plan review is required to ensure that the proposed pipeline does not conflict with the existing 24-inch diameter high pressure gas pipeline located north and east of SDG&E's gas regulator station. |

Environmental Impact. Otay has begun the California Environmental Quality Act (CEQA) process and is requesting the State Department to be the NEPA lead agency. Environmental impacts from the Project may include air quality/climate change, biological resources, cultural resources, geology and soils, hazards/hazardous materials, land use, noise, socioeconomics/environmental justice, transportation, and water resources/water quality. These impacts will generally be temporary, since the conveyance pipeline from the border to Roll Reservoir will either be constructed in public street right-of-way or other areas where the ground surface will be restored to preconstruction contours and vegetation replanted. Any significant impacts will be reduced through the implementation of proper mitigation measures. Impacts from a pump station and treatment facility, if required, would also be mitigated. Included with this Application are draft copies of the Biological Technical Report and Cultural Resources Assessment (also discussed under Historic Preservation below) that are being prepared for the Project.

Historic Preservation. With the majority of property in the Project area being undeveloped, the Project is subject to compliance with CEQA and NEPA. As such, the District commissioned a Cultural Resources Report to be prepared. Potential historical resource sites as outlined by Section 106 of the NHPA, as amended, include ten sites that are located within or partially within the Project Area of Potential Effect. The cultural resource sites, the anticipated Project-related impacts and recommendations for the Project are identified in that Report. The development and implementation of a testing program and monitoring plan will be completed in coordination with cultural resource specialists at the CEQA and NEPA lead agencies (as available) and local Tribal groups and individuals with concerns about the cultural sensitivity of the area.

Conclusion. The Otay Mesa Conveyance System Project will provide a new water supply source in southern California, will ease the burden on the Colorado River's overtaxed supplies, supports and is consistent with an existing IBWC Treaty Minute, and is in the national interest of the United States. Otay Water District is therefore, respectfully requesting the State Department to act as the NEPA lead agency on the project and process a Presidential Permit to authorize the construction, operation, and maintenance of a new border crossing pipeline to import desalinated seawater from the U.S./Mexico International Border subject to State Department jurisdiction.

Sincerely,
OTAY WATER DISTRICT

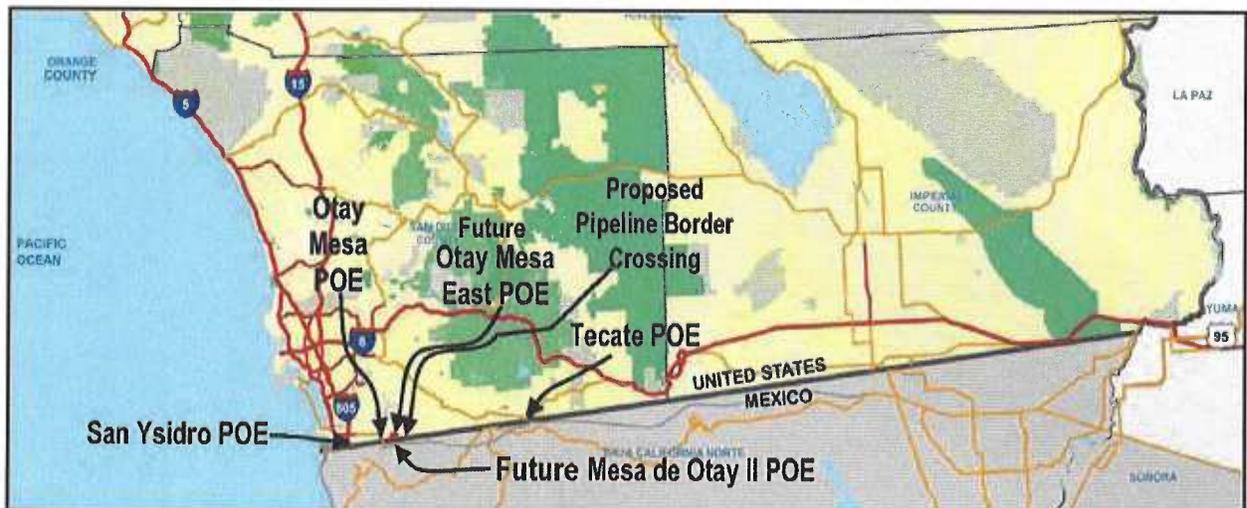
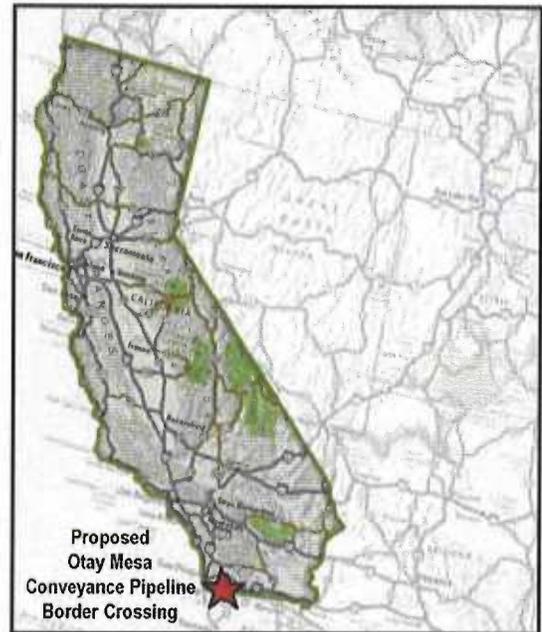


Mark Watton
General Manager

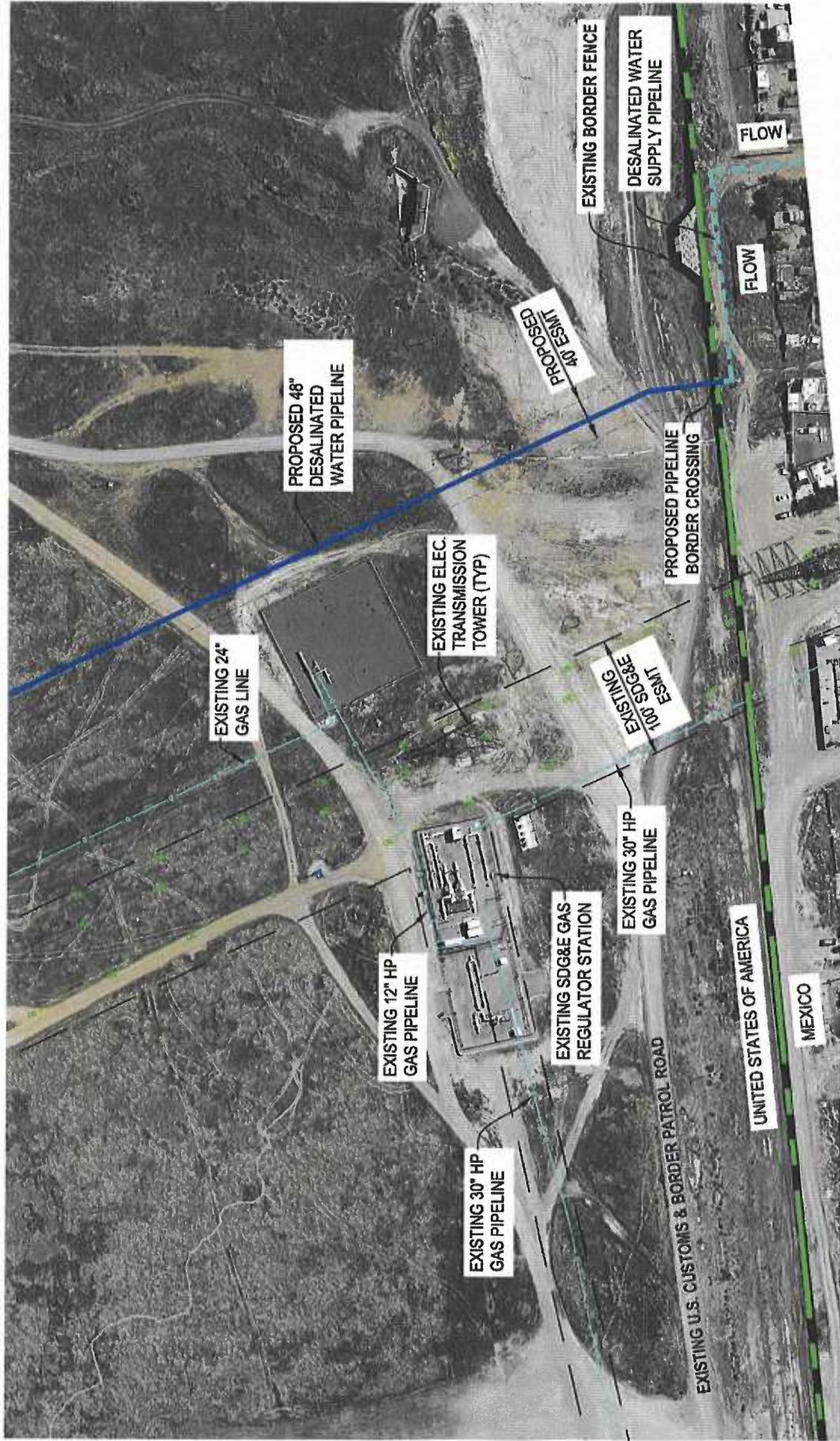
Attachments:

- Attachment 1 - Regional Location Map
- Attachment 2 - Proposed Pipeline Border Crossing Site Plan
- Attachment 3 - Border Fence Photographs
- Attachment 4 - Otay Mesa Conveyance System Project
- Attachment 5 - Pre-Existing Facilities Map
- Attachment 6 - Project Timeline
- Draft Biological Technical Report (DVD)
- Draft Cultural Resources Assessment (DVD)

REGIONAL LOCATION MAP



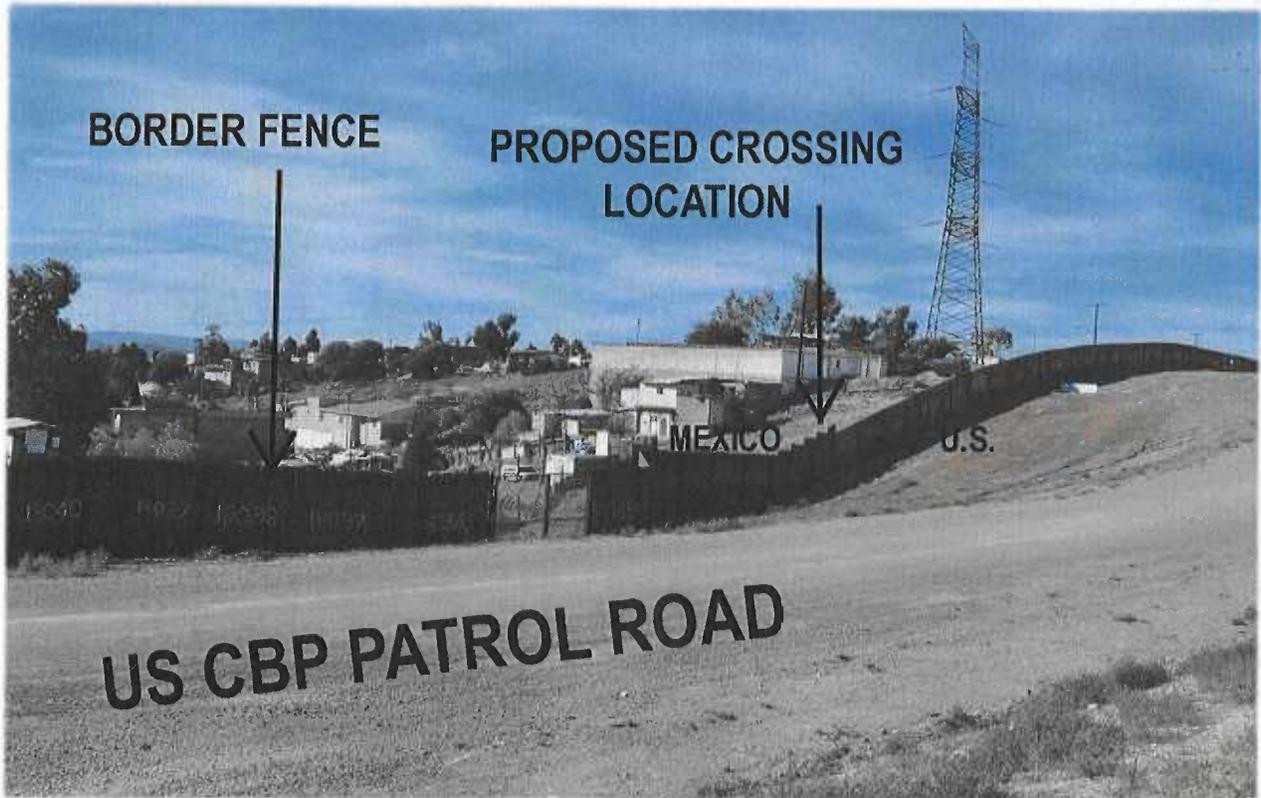
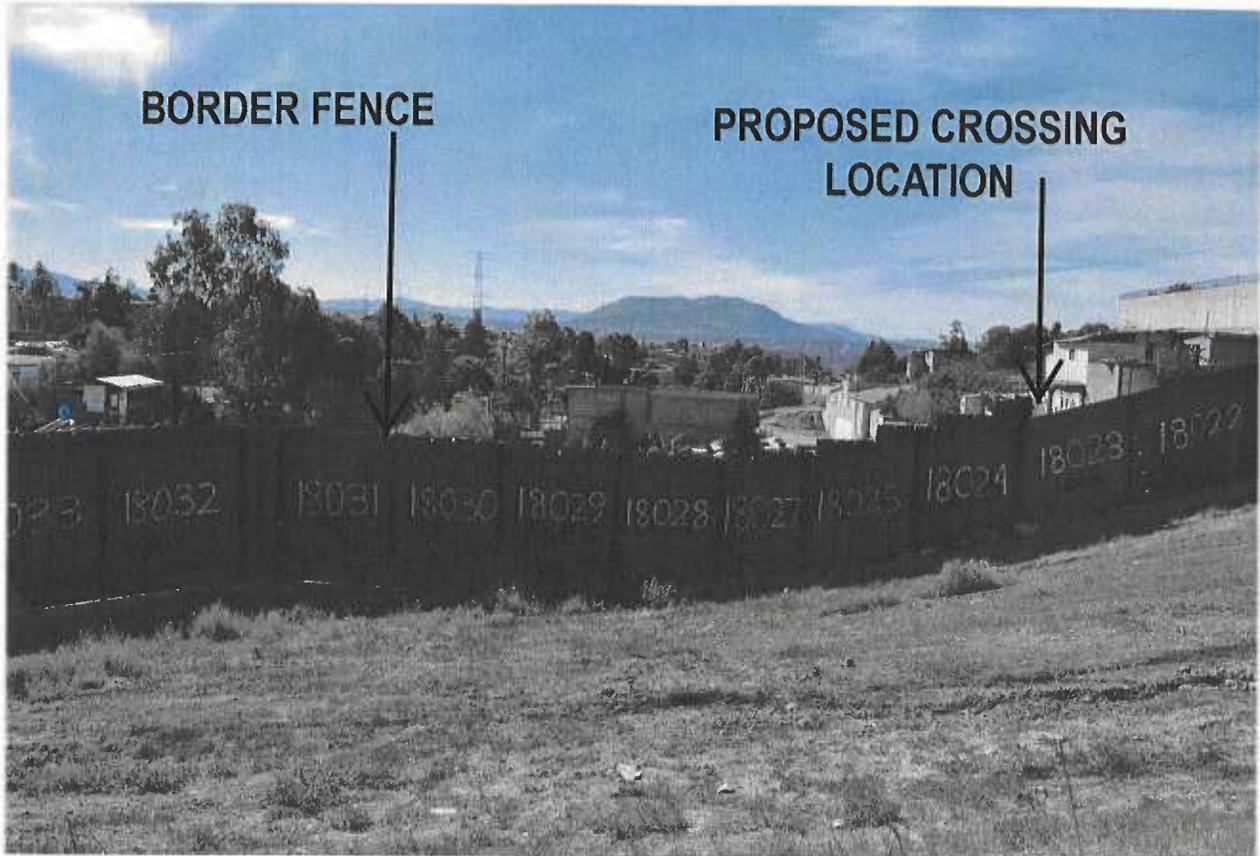
ATTACHMENT 1



OTAY WATER DISTRICT PROPOSED PIPELINE BORDER CROSSING SITE PLAN ATTACHMENT 2



**OTAY WATER DISTRICT
BORDER FENCE PHOTOGRAPHS
ATTACHMENT 3**



Legend

- Potential Meter Station, Treatment Facility, and Pump Station Sites
- Potential Treatment Facility and Pump Station Site
- Potential Alignment
- Alignment



Source: Esri, DigitalGlobe, GeoEye, Earthstar (USA), USGS, AeroGRID, IGN, SVP, swisstopo, and the GIS User Community

**OTAY MESA CONVEYANCE SYSTEM PROJECT
ATTACHMENT 4**

ATTACHMENT 6 OTAY MESA CONVEYANCE SYSTEM PROJECT PROJECT TIMELINE

