

Project would extract the amount of water that would otherwise flow to the Dry Lakes plus the amount needed to maintain hydraulic control in the vicinity of the wellfield. The pipeline would be sized to convey an annual average of 50,000 acre-feet per year (AFY) of water from the Fenner Valley groundwater basin to SMWD and other participating water agencies, for a period of 50 years.

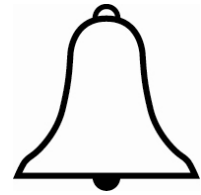
A second phase of the Project, the Imported Water Storage Component, would make available up to one million acre-feet (MAF) of groundwater storage space to be used as part of a conjunctive use project, which is consistent with State policy favoring and supporting conjunctive use projects (Cal. Water Code § 79170 et seq.). Under the Imported Water Storage Component, Colorado River water would be conveyed to recharge basins in the Fenner Valley to percolate into the ground for storage and future withdrawal as a dry-year supply. Because the Imported Water Storage Component would be implemented at a later date, it will be evaluated in the EIR on a programmatic basis. Prior to implementing the Imported Water Storage Component, it will undergo appropriate further environmental review consistent with CEQA.

SMWD is acting as Lead Agency as the first public agency with a discretionary decision regarding the Project and because the Project will be owned in part and operated by SMWD. SMWD is soliciting the views of interested persons and agencies as to the scope and content of the environmental information to be studied in the EIR. In accordance with CEQA, agencies are requested to review the Project description provided in this NOP and provide comments on environmental issues related to the statutory responsibilities of the agency. The EIR will be used by SMWD and other Responsible Agencies when considering approval of the Project. Other confirmed participating water providers include Three Valleys Municipal Water District, Suburban Water Systems, and Golden State Water Company.

In accordance with the time limits mandated by CEQA, comments on the NOP must be received by SMWD no later than 30 days after publication of this Notice. We request that comments on this NOP be received no later than March 30, 2011. Please send your comments, including a return address and contact name, via mail to this address:

c/o Tom Barnes, ESA
626 Wilshire Boulevard, Ste. 1100
Los Angeles, CA 90017
Telephone: 213-599-4300
FAX: 213-599-4301

Or by email to: cadizproject@esassoc.com



Public meetings will be held to receive public comments and suggestions on the Project. One scoping meeting will be held in San Bernardino County and a second scoping meeting will be held within SMWD's service area. The scoping meetings will be open to the public on the following dates and in the following locations:

Wednesday, March 16, 2011, 4 p.m.
Santa Margarita Water District
26111 Antonio Parkway
Rancho Santa Margarita, CA

Thursday, March 24, 2011, 6 p.m.
Joshua Tree Community Center
6171 Sunburst Street
Joshua Tree, CA

PROJECT LOCATION AND SETTING

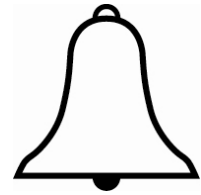
The Project proposes active management of the groundwater basin underlying Cadiz Inc. property in the Cadiz and Fenner Valleys located in the eastern Mojave Desert, San Bernardino County, California (**Figure 1**). The purpose of the Project is to develop a new, reliable water supply and storage facility for SMWD and other participating water providers. The Project would be operated by FMWC, which is comprised of shareholders that are public water systems.

The Project area is located at the confluence of the Fenner Valley and Orange Blossom Watersheds (Watersheds), which span nearly 1,300 square miles and contain an estimated total volume of groundwater in storage of more than 20 MAF. The Project area is underlain by an aquifer system composed of saturated alluvial materials, limestone-carbonates, and granitic rocks with a depth to groundwater of consistently more than 180 feet below ground surface (bgs) and reaching over 400 feet bgs in many areas.

PROJECT DESCRIPTION

The Project would be implemented in two phases:

The first phase, referred to as the **Conservation and Recovery Component**, would employ a strategy to lower water levels beneath Cadiz property in the vicinity of the proposed Project wellfield to establish hydraulic control and intercept groundwater presently migrating to the Bristol and Cadiz Dry Lakes and being lost to evaporation. Facilities that would be constructed under the first



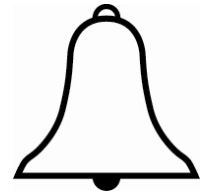
phase include a Project wellfield, water conveyance facilities, tie-in to the Colorado River Aqueduct (CRA), access roads, and power supply and distribution facilities.

- The second phase, referred to as the **Imported Water Storage Component**, would use the established hydraulic control for the importation, storage and recovery of imported developed water made available from the CRA. Facilities that would be constructed under the second phase include a Project wellfield expansion, extension of the water conveyance facilities, CRA diversion structure and pump station, access roads, expansion of the power supply and distribution facilities, and spreading basins.

A. Conservation and Recovery Component

As part of the Conservation and Recovery Component, native groundwater currently being lost annually to evaporation at the Bristol and Cadiz Dry Lakes from the aquifer system underlying the Project area would be captured and conserved through the active management of the groundwater basin. Wells would be constructed within the Fenner Gap portion of the Watersheds to withdraw the amount of groundwater necessary to achieve an optimal level to create a natural hydraulic barrier. The hydraulic barrier would allow for the recovery of groundwater that otherwise would be lost to evaporation. The proposed wells would be constructed on Cadiz property, and a 42-mile underground pipeline would be installed within the privately-owned railroad right-of-way (ROW) that connects the Project wellfield to the CRA. The recovered groundwater would be conveyed to SMWD and other participating water providers through the CRA delivery system owned and operated by the Metropolitan Water District of Southern California (Metropolitan). The Draft EIR will include a detailed project description showing facility locations and access points. **Figure 2** shows the proposed Project, including the following components:

- wellfield area
 - groundwater wells
 - interconnecting pipelines
 - natural gas distribution system
- 42-mile water conveyance pipeline
- CRA tie-in
- equalization storage reservoir and pump station near CRA (if necessary)

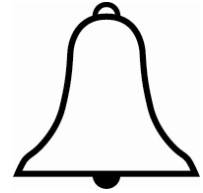


Only the quantity of water that is equal to (a) the amount required to attain an optimal groundwater level, plus (b) the amount of long-term average recoverable recharge, would be extracted from the groundwater basin under the Conservation and Recovery Component. The specific quantity and schedule for groundwater recovery that is required to achieve this objective will be determined by an operations plan. However, the Project would operate under a self-imposed limit so that the total quantity of native groundwater that would be recovered and conveyed to the CRA would not exceed an annual average of 50,000 AFY over the life of the Project, which is considered to be 50 years. During that period, the Project would conserve and recover the sustainable yield that would otherwise have evaporated from the Dry Lakes. The sustainable yield from the Watersheds has been estimated to be approximately 32,500 AFY. As described above, to maintain access to this sustainable yield, the groundwater within the wellfield area would be dewatered to an optimal level. The drawdown would create a groundwater trough that would modify groundwater flow by creating a hydraulic control mechanism. To maintain hydraulic control, an annualized surplus of approximately 17,500 AFY averaged over the life of the Project would be extracted and conveyed to the CRA. This water would be available for delivery to participating water providers, bringing the annual average delivery capacity of the Project to 50,000 AFY.

In certain wet years, participants may opt to decrease or forego their contracted annual groundwater deliveries and instead store that water in the aquifer system at the Project site. This stored water, or “carry-over water,” could then be conveyed to Project participants in a future dry year as a supplement to their contracted annual supply. The capacity of the pipeline would be sized to accommodate 75,000 AFY so that carry-over storage water in addition to the contracted annual supply could be accommodated. This would not alter the long-term average annual withdrawal of 50,000 AFY over the 50-year term of the Project.

B. Imported Water Storage Component

The second phase of the Project, the Imported Water Storage Component, would allow for storage of imported surface water from the CRA into the aquifer system. When water is available by direct delivery or exchange, such as surplus water in wet years, a Project participant could convey surplus from the CRA to the Project site via the pipeline. The Project participants for the second phase may include Colorado River rights holders, located in southern California. This water would be recharged into the aquifer system via spreading basins proposed to be constructed on Cadiz property. When needed, participants could extract previously stored surface water from the aquifer system, and it would be conveyed to the CRA and delivered through the CRA delivery system to Project participants. The storage capacity of the aquifer system is estimated to be more than 1 MAF. The second phase would benefit from established hydraulic control. The creation of hydraulic control will allow project participants to store water from year-to-



year without losing the water to evaporation because lowering the water table in the wellfield will also change the gradient and intercept groundwater flowing beneath the surface into the wellfield. Accordingly, the groundwater pumping will act as a barrier to outflow from the groundwater basin into the Dry Lakes where it presently evaporates.

In the event that imported water from the Colorado River is subsequently stored in the Project, the existence of hydraulic control will also allow the imported water to be held in storage for longer periods of time without suffering losses.

The potential quantity and schedule for spreading, storage, and extraction will be explored at the programmatic level in this EIR, pursuant to CEQA Guidelines Section 15168 (14 Cal. Code Regs. § 15168.). Further appropriate environmental review would be conducted as required under CEQA and when specific Project participants are identified and express an interest in accessing the storage space. For example, additional information regarding the specific location and design of the proposed wellfield expansion could be necessary to fully evaluate groundwater quality impacts associated with the Imported Water Storage Component.

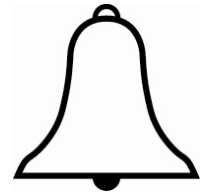
PROJECT APPROVALS

Implementation of the proposed Project will require the following approvals:

- US Fish and Wildlife Service, Endangered Species Act Section 7
- US Army Corps of Engineers, Clean Water Act Section 404
- California Department of Fish and Game, California Fish and Game Code Section 2081 and California Fish and Game Code Section 1602
- Regional Water Quality Control Board, Clean Water Act Section 401; Storm Water Pollution Prevention Plan; Waste Discharge Requirements for spreading basins; and Anti-Degradation Analysis
- Metropolitan Water District of Southern California, Approval to modify CRA and Wheeling Agreement
- Mojave Desert Air Quality Management District, Natural gas engine emissions permits

PROJECT HISTORY

In the early 1990s, Cadiz recognized the potential for developing a groundwater storage and transfer project on its properties and partnered with Metropolitan. Metropolitan, as the lead agency, evaluated the feasibility of operating the project, referred to as the “Cadiz Groundwater Storage and Dry-Year Supply Program” (Program). An EIR/EIS (Environmental Impact Statement) was prepared for the Program, which would have involved transporting surplus Colorado River water to the Program site, recharging it



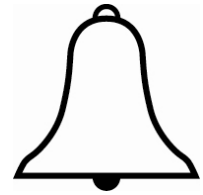
through a series of recharge basins, storing the water, and then extracting the stored water during times of drought. A pipeline was proposed to be constructed on federal Bureau of Land Management (BLM) land to convey water from the CRA to the Program site. In August 2002, the United States Department of Interior issued a right-of-way grant for the pipeline.¹ However, although the feasibility studies completed under the partnership demonstrated a significant potential for water supply development, Metropolitan decided not to pursue the Program in October 2002.²

Since 2002, Cadiz has continued to pursue partnerships to develop a revised water supply project different than the Program previously contemplated with Metropolitan. Because water supply to Southern California from the State Water Project and Colorado River is often either unreliable or unpredictable, and future costs of supply are uncertain, SMWD and other Southern California water purveyors have partnered with Cadiz to augment their current water supply with the new Project, as proposed.

The new proposed Project is distinct from the prior Program because:

- a) A conservation component has been added to recover native groundwater currently being lost to evaporation, which was not part of the prior Program;
- b) The proposed water conveyance pipeline would be constructed within a privately-owned railroad right-of-way, under a 99-year lease agreement, and not on public lands, as was previously proposed;
- c) End users have been identified as project participants, as opposed to the prior Program, which only identified one public agency. In addition to SMWD, other confirmed Project participants include Three Valleys Municipal Water District, Suburban Water Systems, and Golden State Water Company.
- d) The imported water storage component is not part of the initial project approval. Accordingly, the groundwater extraction facilities have been sized to accommodate the annual variations in the delivery of conserved, recovered and stored indigenous water.

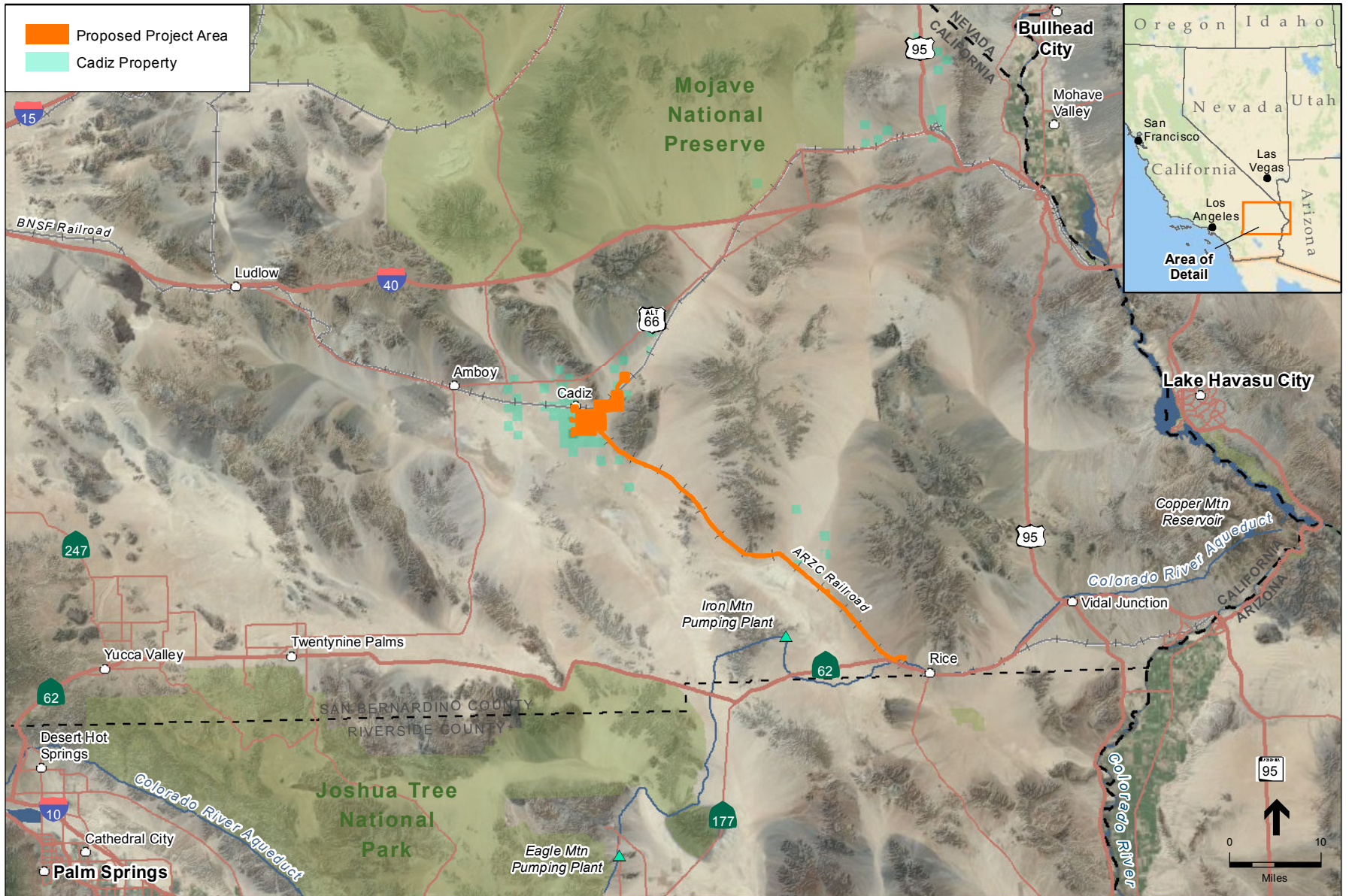
¹ U.S. Dept. of the Interior, Bureau of Land Management, Record of Decision for California Desert Conservation Area Plan Amendment and Right-of-Way Grant/Temporary Use Permit, August 29, 2002.
² Final Environmental Impact Report/Environmental Impact Statement, Cadiz Groundwater Storage and Dry-Year Supply Program, SCH. No. 99021039, Sept. 2001.



DISCUSSION OF POTENTIAL ENVIRONMENTAL IMPACTS

The EIR will address all topics listed in Appendix G of the CEQA Guidelines, regardless of whether the potential impact may be significant, so that information regarding this project is available in a single document to facilitate public review. The content of the EIR will also be subject to input received during the NOP comment period. Where necessary, the EIR will identify mitigation measures to minimize potentially significant impacts of the proposed Project. The EIR will evaluate the following environmental resource issues in addition to CEQA-mandated topics such as cumulative impacts, growth inducement, and Project alternatives:

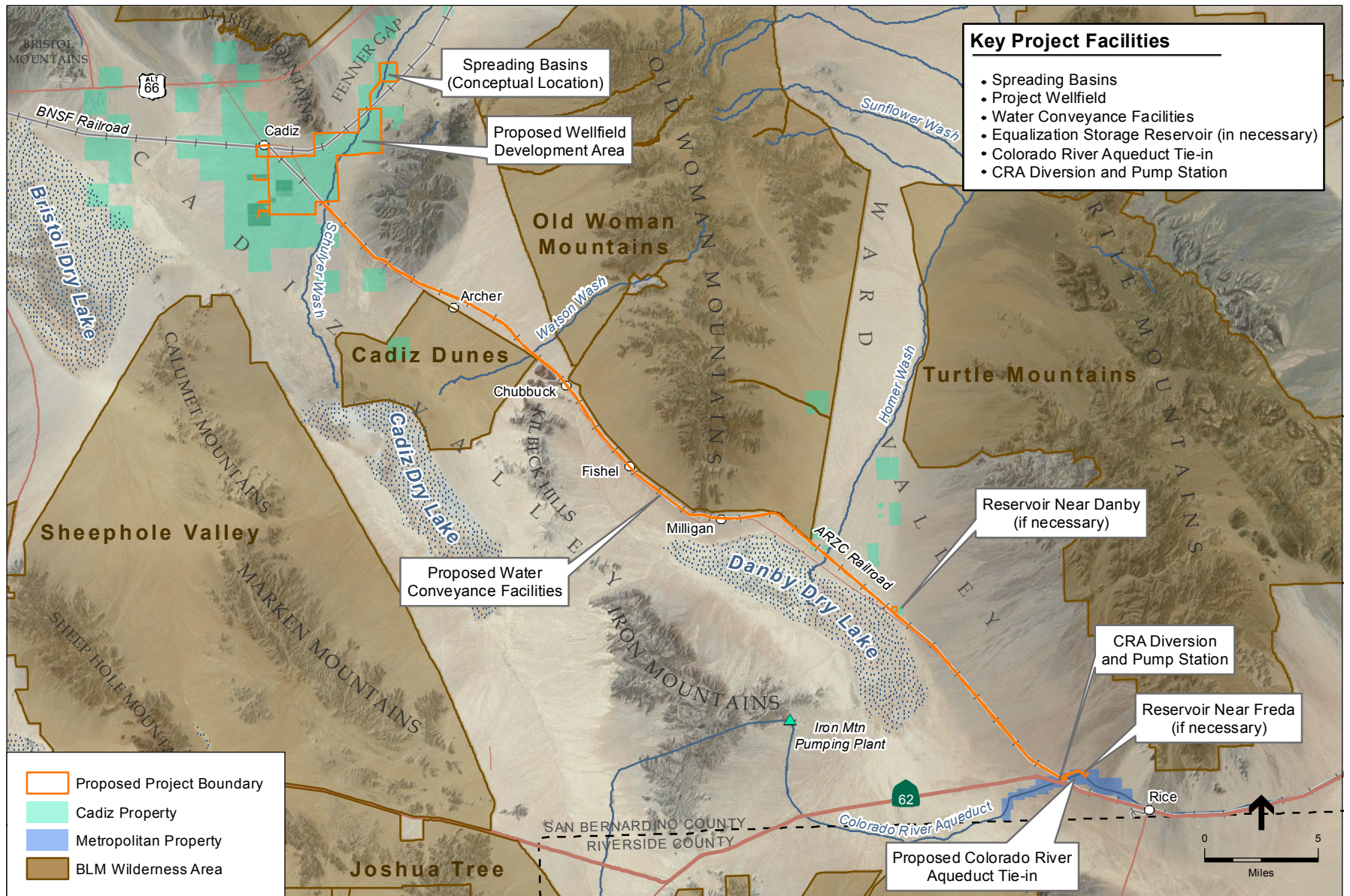
- Aesthetics
- Agriculture and Forestry Resources
- Air Quality and Greenhouse Gas Emissions
- Biological Resources
- Cultural Resources
- Geology, Soils, Faulting and Seismicity
- Hazards and Hazardous Materials
- Hydrology, Water Quality, and Groundwater
- Land Use and Planning
- Population and Housing
- Mineral Resources
- Noise
- Public Services
- Recreation
- Traffic and Circulation
- Utilities & Service Systems / Water Supply



SOURCE: Bing Maps, 2011; ESRI, 2010; DeLorme, 2011; Cadiz Inc., 2011; and ESA, 2011

Cadiz Valley Water Conservation, Recovery, and Storage Project . 210324

Figure 1
Regional Location



SOURCE: Bing Maps, 2011; ESRI, 2010; Cadiz Inc., 2011; and ESA, 2011

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Figure 2
Key Project Facilities