

# POSEIDON RESOURCES CORPORATION DESALINATION UPDATE

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## California Coastal Commission Deems Carlsbad Desalination Project Application Complete

November 2007 Hearing Scheduled for Project Approval

**POSEIDON RESOURCES'** application to the California Coastal Commission for a Coastal Development Permit for the Carlsbad Desalination Project has been deemed complete. The determination by the Coastal Commission staff clears the way for a project approval hearing before the Commission in November when the Commission is scheduled to convene in San Diego County. The \$300 million desalination plant will have a capacity to produce 50-million-gallons-per-day of high quality drinking water and will serve 300,000 residents annually.

In August 2006, Poseidon filed its application for a Coastal Development Permit with the Commission's staff. During the eleven month process, Poseidon provided the staff a thorough analysis of the project and its consistency with Coastal Act policies, based on more than seven years of indepth research and study. In five separate submittals, Poseidon covered issues related to the need for the project and its relationship to existing water conservation and water

management plans; environment; land use; growth inducement; coastal access and health and welfare; relationship to power plant operations; project mitigation and alternatives; project economics; plant ownership and operation; product water purchase agreements; and energy use and production.

We have provided the Commission's staff with an unprecedented amount of information based on almost a decade of environmental and technical studies conducted by industry experts and scientists including those from the Scripps Institute of Oceanography. We are grateful staff has concluded that our application is complete and we look forward to a hearing based on the merits of the project before the Commission in November.

The California Coastal Commission was established by voter initiative in 1972 and later made permanent by the Legislature through adoption of the California Coastal Act of 1976. California Public Resources Code Section 30001.5

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**THE RAINBOW MUNICIPAL WATER DISTRICT** board of directors unanimously approved a Water Purchase Agreement with Poseidon Resources at its board meeting on July 24.

Under the agreement, Poseidon will provide the District with 7,500 acre-feet per year of water from its Carlsbad desalination plant, representing 23% of the District's total annual needs of 32,000 AFY.

Since 1953, the Rainbow Municipal Water District has provided water and sanitation services to the unincorporated communities of Rainbow, Bonsall, and a portion of Fallbrook. The district supplies water service or sewer service to over 9,100 households and businesses, covering approximately 49,800 acres.

Because the surrounding area has many agricultural uses that are coping with some of the highest agricultural water rates in the nation, water usage in the area is extremely efficient and conservation is away of life.

"Water is a precious and scarce resource. The only way for agriculture to continue to be viable in San Diego is to take steps now to ensure its availability and affordability," said Gene Buckley, Interim General Manager and Finance Manager for Rainbow Municipal Water District.

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## California Coastal Commission

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states that the Commission's statutory obligations include "Protect, maintain, and where feasible, enhance and restore the overall quality of the coastal zone environment and its natural and artificial resources, and; assure orderly, balanced utilization and conservation of coastal zone resources taking into account the social and economic needs of the people of the state, and; maximize public access to and along the coast and maximize public recreational opportunities."

As part of Poseidon's project development agreement with the City of Carlsbad, four parcels of land totaling approximately 15 acres currently owned by the power plant's operator will be dedicated to the public for coastal access, recreation and marine research. Poseidon has also offered to include as part of its Coastal Development Permit a condition that the company will assume responsibility for the stewardship of the Agua Hedionda Lagoon – one of San Diego County's environmental and recreational treasures – when the existing Encina Power Plant is decommissioned. This commitment includes restoring 37 acres of Lagoon habitat.

"The Carlsbad Desalination Plant is absolutely essential to the long-term health of Agua Hedionda Lagoon," said Eric Munoz, President of the Agua Hedionda Lagoon Foundation. "Poseidon will assume the responsibility as the Lagoon's steward and ensure future generations have the opportunity to benefit from the nearly 400 acres of critically important wetlands habitat that makes up the

Lagoon, as well as enjoy aquaculture and fishery restoration programs and the educational, research and recreational opportunities," added Munoz.

Poseidon Resources already has entered into long-term water pur-

chase agreements with five San Diego County public water agencies – Carlsbad Municipal Water District, Valley Center Municipal Water District, Rincon del Diablo Municipal Water District. Sweetwater Authority and Rainbow Municipal Water

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## Water Authority and MWD Throw Support Behind Poseidon

**T**he two most prominent water agencies in Southern California, the San Diego County Water Authority and the Metropolitan Water District of Southern California, have joined the long list of supporters of the Carlsbad Desalination Project.

In June, the Water Authority Board voted to adopt a resolution in support of the project and authorized their General Manager to actively engage community leaders, elected officials and regulatory agencies on the issue.

Earlier, the Water Authority's Board approved the Updated 2005 Urban Water Management Plan (UWMP), which recognizes that seawater desalination is critical to diversifying San Diego's supplies and reducing dependence on imported water. The resolution specifically identifies a need for 56,000 acre-feet-per-year of water from the Carlsbad Desalination Plant by 2011.

The resolution addresses the Water Authority's efforts to

facilitate the development of the Carlsbad local project, including supporting the permitting of the project through state regulatory agencies such as the California Coastal Commission and the State Lands Commission.

Metropolitan Water District has also supported the development of the Carlsbad project as part of a diversified water portfolio adopted in its Integrated Water Resources Plan (IWRP).

Their IRP calls for the development of a diverse, sustainable resource mix in order to provide supply reliability to our region — including 150,000 acre-feet of seawater desalination by 2025. The Carlsbad desalination plant would help the region meet this goal, and improve overall reliability in the San Diego region.

Most importantly, Metropolitan's Board has authorized up to \$14 million annually in financial assistance to help bring this important project to fruition. ■

## Carlsbad Celebrates "Lagoon Day"

### California Coastal Commission

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District Collectively the five public water agencies have required 80% of the plant's 50-million-gallons-per-day capacity.

"This action by the Coastal Commission staff is both prudent and necessary given the already tenuous water supply situation in California," said Gary Arant, General Manager of Valley Center Municipal Water District and San Diego County Water Authority Board Member, "Approval of the Project by the Coastal Commission in November would allow this critically needed water supply to be in place as early as 2010." ■

On Saturday, June 14th, over 200 people gathered for a day-long celebration of Carlsbad's lagoons, Batiquitos, Buena Vista, and Agua Hedionda. The first annual "Lagoon Day" included two-hour open houses at each of the three lagoons with recreational activities, nature walks, and informational tours. Festivities concluded with a ceremony and press conference at the Agua Hedionda Discovery Center.



Agua Hedionda Lagoon Foundation President Eric Munoz welcomes Carlsbad Mayor, City Council and residents at Carlsbad Lagoon Day's press conference on June 14th.

In addition to celebrating the beauty of the lagoons, the event was also the one-year anniversary of the eradication of the invasive plant *Caulerpa Taxifolia* from the Agua Hedionda Lagoon. The *Caulerpa* plant threatened to permanently damage the lagoon and nearby coastal waters. However, with intensive containment and eradication efforts, a team of residents and scientists were able to successfully eliminate the toxic species and preserve one of North County's finest environmental treasures.

The Carlsbad desalination plant and the Agua Hedionda Lagoon will have a reciprocal relationship, depending on each other for sustainability. Poseidon has submitted a mitigation plan to the Coastal Commission that position the company as a steward of the Agua Hedionda Lagoon once the desalination plant comes online in 2010. ■

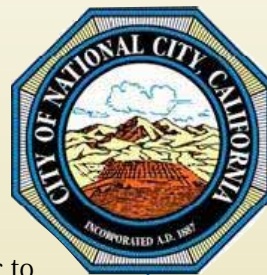
### Rainbow *Continued from page 1*

"This Water Purchase Agreement will provide the communities we serve with high-quality water at a guaranteed price. The board's decision today will provide a hedge for our customers against drought conditions and the anticipated water shortages and cost increases. The 7,500 AFY of water represents over 80% of our residential usage," said Buckley.

Rainbow is the fifth San Diego county public water agency following Carlsbad, Valley Center, Rincon and Sweetwater to approve long-term water purchase agreements with Poseidon Resources. With the addition of Rainbow, 80% of the desalination plant's 56,000 acre-feet-per-year capacity is already subscribed. ■

## National City Endorses Carlsbad Plant

In a show of regional unity, the National City City Council unanimously passed a resolution in support of the Carlsbad Desalination Project.



Mayor Ron Morrison's letter to the California Coastal Commission affirmed the importance of the desalination plant to his city's water supply, stating "while the Carlsbad desalination plant is physically on the opposite end of the San Diego County, the plant's ability to serve residents in South Bay guarantees we will have equal access to a local water supply that rightfully belongs to all the County's residents."

National City's water is supplied by Sweetwater Authority, which announced in January, 2007 that it had entered into a long-term Water Purchase Agreement to purchase 2,400 acre-feet per year from the Carlsbad Desalination Plant. This will supply up to 10% of Sweetwater's future needs and will provide enough water for 4,800 families. According to the resolution, the desalinated water is a key part of Sweetwater's strategy to diversify their supply and plan for the future needs of their customer base. ■



## Case dismissed – Challenge to the Carlsbad Desalination Plant's Water Quality Control Board Discharge Permit Rejected

**T**he most recent challenge to the Carlsbad Desalination Project filed by opponents of seawater desalination, this time with the State Water Resources Control Board, has been rejected. The state ruled that San Diego's Water Quality Control Board (RWQCB) acted properly when it voted unanimously on August 16, 2006 to issue a discharge permit to Poseidon Resources for the Carlsbad Desalination Project.

In issuing its ruling, the State Water Resources Control Board wrote that the petition filed by Surfrider Foundation and Coastkeeper "fails

to raise substantial issues that are appropriate for review."

In an earlier attempt to derail the Carlsbad Desalination project, the Southern California Watershed Alliance and an organization calling itself the Desal Response Group filed a lawsuit in Superior Court to overturn the City of Carlsbad's 2006 certification of the project's Environmental Impact Report (EIR). That lawsuit was dismissed.

The Carlsbad Desalination Plant has benefited from over seven years of indepth research and study, which

included a nearly 400-day public review leading up to in the City of Carlsbad's unanimous approval of the project's Environmental Impact Report (EIR). The dismissal of this latest challenge by one of the state's key regulatory agencies is further evidence that the desalination plant can be operated in an environmentally responsible manner.

The permit, which lasts five years, includes a number of stringent environmental protections designed to regulate the discharge of the concentrated seawater byproduct of the desalination process. ■

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