

# POSEIDON RESOURCES CORPORATION DESALINATION UPDATE

ISSUE 6 ♦ FALL 2004

## Carlsbad Approves Landmark Water Purchase Agreement

On October 19th, the Carlsbad City Council approved a landmark Water Purchase Agreement with Poseidon Resources. The vote clears the way for the public-private partnership between the City and Poseidon Resources to build a 50 million gallon per day desalination plant at the site of the Encina Power Station.

“Carlsbad City Council has taken a monumental step towards moving Carlsbad — and the region — closer to achieving its goal of water reliability,” said Poseidon Senior Vice President Peter MacLaggan. “Approval of the Water Purchase Agreement ensures that Carlsbad will secure a cost-certain, locally controlled, drought-proof supply of water with all risk

borne by the private sector. The agreement also keeps the project on schedule, allowing for the timely and cost-effective completion of a critical component of the region’s water infrastructure.”

Since 1999, Carlsbad and Poseidon Resources have worked on a public-private partnership to construct the desalination plant. Poseidon Resources has a long-term lease agreement with Cabrillo Power I LLC to operate a desalination

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## Sneak Peak at the Full-Scale Plant

**Poseidon and architects, McGraw/Baldwin Architects, are previewing the building design for the full-scale Carlsbad seawater desalination facility at the Encina Power Station.**



**The desalination plant will be housed in a low-profile new building that blends subtly into the existing site and is designed to complement changes to the overall site in the future.**

**The new building will have a lower profile than the existing storage tank that it will replace.**

## Quote of the Week

SAN DIEGO BUSINESS JOURNAL, SEPT. 21

*‘It doesn’t matter  
if you’re a Republican  
or a Democrat we  
all get thirsty’*

— TED OWEN, president and CEO at the Carlsbad Chamber of Commerce on the politics surrounding a proposed desalination plant in Carlsbad

P O S E I D O N



R E S O U R C E S



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plant at the site of the Encina Power Station. The Water Purchase Agreement guarantees that Carlsbad will receive a certain quantity of high-quality drinking water that is delivered reliably over a 30-year period at a guaranteed price.

“The Water Purchase Agreement guarantees Carlsbad will receive a reliable supply of water at a cost never to exceed the price of water that the City could purchase from the San Diego County Water Authority,” continued MacLaggan.

“Additionally, the agreement provides a framework for other water districts to secure a new supply of affordable water, and it opens up the opportunity for the County Water Authority to re-enter the public-private partnership with Carlsbad and Poseidon,” concluded MacLaggan.

**Highlights of the Water Purchase Agreement include a multitude of taxpayer protections:**

◆ Poseidon Resources will deliver to the City of Carlsbad its entire daily requirement — up to 25 million gallon-per-day, but never more or less than its variable seasonal needs — and assume all risks associated with the financing, development, construction and operation of the project.

North County

# Water Forum

More than 100 North County leaders gathered at the Poseidon pilot facility at the Encina Power Station on September 30th for a discussion of the water future for the region. BIO-

COM, the Carlsbad Chamber of Commerce and the San Diego North Economic Development Corporation (EDC) joined together to host this forum to learn about what Carlsbad is doing to address the tough issues of water supply, reliability and costs that impact existing businesses and opportunities to attract new business to the area.

More than 440,000 jobs are based in San Diego North, which also is home to life sciences companies that are leading the way in global innovation. Business attraction, retention and growth are critical to the mission of each of the host organizations.

The forum featured Joe Panetta, President of BIOCOM, along with Ted Owen, President of the Carlsbad Chamber of Commerce,



Carlsbad Mayor Bud Lewis address' a group of North County residents and business leaders on the importance of desalination and water reliability.

and Gary Knight, Interim President of the San Diego North EDC.

Mayor Bud Lewis of Carlsbad also participated and emphasized the opportunities for the Poseidon Carlsbad project to create unique benefits for Carlsbad, while also providing a

great benefit to the entire region.

The answer for the future was echoed by all of the speakers for the day — seawater desalination will be a key component of the region's water supply portfolio, and the time is now. More than 3 billion gallons per day of desalinated water is produced at thousands of plants throughout the world, and the time has come to utilize this proven technology here.

Guests also toured the pilot plant, where they were able to watch the seawater desalination process turn ocean water into high-quality drinking water in 20 minutes. Best of all, guests enjoyed fresh mussels from the Carlsbad Aqua Farm, another thriving business situated on the Agua Hedionda Lagoon. ■

# Local Students and Residents *Learn about Desalination*

- ◆ The water will be “appropriated for public use” by the city, guaranteeing that all drinking water developed using Poseidon’s professional expertise will remain in the public domain.
- ◆ Poseidon will provide Carlsbad with all water produced by the plant needed to meet its entire daily requirement for a period of 30 years, with the City having the unilateral option to extend the agreement for two additional 30-year terms.
- ◆ Carlsbad has the option, but not the obligation, to purchase the desalination plant after the initial 30-year term expires, and has the right of first offer to purchase the plant should Poseidon wish to sell.
- ◆ Water produced by the desalination plant and delivered to Carlsbad will meet or exceed all drinking water regulatory standards under the law, and Carlsbad will never be obligated to accept or pay for water that does not meet the quantity, quality and reliability standards specified in the Agreement.
- ◆ The City will retain land-use control over the project site; gain \$2 million in new annual property tax revenue from the redevelopment area and gain three key parcels of land near Agua Hedionda Lagoon and Terra Mar Beach that will maximize public access to the beach, lagoon and open space and recreational opportunities. ■



**P O S E I D O N** has undertaken an aggressive public education and outreach effort, focused on the desalination process, the proposed Carlsbad facility and raising awareness of opportunities for public input into the approval process. Part of this outreach has included presentations to local school groups in Carlsbad and Oceanside. The children are taught about the science of desalination and where we currently get our water on a global level.

The Poseidon pilot desalination facility at the Encina Power station has provided an outstanding opportunity for demonstrating the desalination process, explaining the unique site characteristics that make the Encina location desirable for desalination, and highlighting the important balance of environmental protections inherent in the project, including protection of the Agua Hedionda Lagoon.

A key element of the outreach effort has included product sampling. Groups touring and learning about the pilot desalination facility have the opportunity to taste water produced through the test plant. Nearly 99% of these individuals have rated the taste of the water as good to excellent.



The city of Oceanside Water Department offers samples of Desalinated Seawater from the Carlsbad Pilot plant to their customers. Above, Roberta Rodriguez, city of Oceanside offers Greg Mayer a taste of the future.

“The ocean water was great. I give it two thumbs up. It made me want more.”

- *ARMAN, 4th Grade at Reynolds Elementary School, Oceanside*

When I tasted the water it was really good. I couldn’t save it because it was so good I had to keep on drinking”.

- *Jessica M., 4th Grade at Reynolds Elementary School, Oceanside*

“The water was fabulous. My mom tried some and said that she couldn’t wait 5 years for something so delicious to come out.”

- *Ronald O., 4th Grade at Reynolds Elementary School, Oceanside*



## In a recent poll, Carlsbad residents gave the City of Carlsbad high marks and put a priority on the community's water supply.

Carlsbad residents overwhelmingly believe that things in the City of Carlsbad are on the right track, and nearly all agree that it is important for city officials to ensure Carlsbad has adequate and affordable supplies of water in the future. In fact, almost 90 percent support the Council's goal to achieve water reliability.

When it comes to desalination, more than 80 percent of those polled favor Poseidon's Carlsbad desal plant, and three out of four favor co-locating with the Encina Power Station to take advantage of the existing infrastructure and ready power supply.

The key issues of importance to the community are local control over supply reliability and price, new revenues for the City, public beach access, and understanding that the plant will not have any significant impact on the ocean.

In addition, the experience of Poseidon and the company's role in protecting the City from risk, as well as the benefits of co-location, are important factors that

have earned this widespread community support.

Decision Research conducted the poll in July 2004 on behalf of Poseidon Resources Corporation. The findings are based on 300 completed interviews, conducted by professional interviewers, with a random sample of registered voters in the City of Carlsbad. The sampling error is +/- 5.6 percent. ■

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for up to the minute updates!

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