

POSEIDON RESOURCES CORPORATION DESALINATION UPDATE

ISSUE 7 ♦ SPRING 2005

SPECIAL EDITION ENVIRONMENTAL REVIEW

An Environmentally Responsible Solution to Our Water Needs

This spring marks an important milestone for the Carlsbad desalination plant. The project's Draft Environmental Impact Report will be published, providing the community with a comprehensive look at one of the most important water infrastructure projects in recent San Diego history. The environmental review process offers an opportunity to become informed, and to get involved.

The California Environmental Quality Act requires projects undertaken, funded or requiring a permit by a public agency to prepare an EIR. The purpose of an EIR is to inform governmental decision makers and the public about potential environmental effects, if any, of a proposed project; to identify ways that environmental damage can be



Artist Rendering of Carlsbad Desalination Plant at the Encina Power Station

avoided or significantly reduced; and require changes in a project through the use of alternatives or mitigation measures.

For the Carlsbad desalination plan, publication of the EIR opens a 45-day period for the community to comment on the project's environmental impacts

on areas such as air and water quality, traffic and marine life. Those interested in reviewing and/or commenting on the desalination project can find a copy of the EIR on Poseidon's website at www.carlsbad-desal.com.

Poseidon has been working with the City of Carlsbad since 1998 on a public-private partnership to construct a 50 Million Gallon Per Day (MGD) plant at the site of the Encina Power Station. The plant is scheduled to be completed by 2008, and will produce enough drinking water to serve 300,000 residents annually.

The desalination plant will occupy a 4-acre parcel in an area currently containing an

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out-of-commission oil tank, which will be demolished. Co-locating the desalination facility next to the Encina power plant is environmentally attractive in many ways:

- The proposed site allows Carlsbad to minimize impacts and maximize efficiency by sharing the power plant's existing ocean water intake and outfall;
- Construction of the desalination plant will not require any modification of the Encina power plant, other than connection to the seawater discharge channel and electrical connections;
- The plant is being configured to allow for the future modernization of the power plant;
- The desalination plant will ensure continued stewardship of the Agua Hedionda lagoon and surrounding watershed.

Desal Plant: Another Milestone Reached

In September 2004, Poseidon and the City of Carlsbad reached a water purchase agreement that provides Carlsbad with a cost-certain, locally-controlled, drought-proof supply of water guaranteed by the private sector experience and expertise of Poseidon.

Poseidon will provide the City of Carlsbad with its entire daily requirement for water, up to 25 MGD, and assume all risks associated with the financing, development, construction and operation of the project. A key component of the agreement is that Carlsbad's cost for the water will never exceed what it would otherwise pay to the San Diego County Water Authority.

From Carlsbad's perspective, the plant helps meet the city's water reliability goals. The city's goal is to have 90-100 percent of its water available to meet demand during a severe drought. This goal is aided in large part by the desalination plant, which

provides the city with a reliable local supply of high quality water that is affordable and under the city's direct control.

Poseidon is working with the San Diego County Water Authority and various local water agencies to gage their interest in purchasing the remaining capacity from the plant.

Over the course of the last four years, sufficient information has been developed to conclude that the proposed project could be constructed and operated in an environmentally responsible manner. For both the construction and on-going operation of the plant, the EIR does not identify any significant, unavoidable impacts related to thirteen different areas studied including, noise, traffic, growth-inducement, air and water quality, land use and public utilities and natural resources. Consequently the EIR analysis concludes that it is not necessary to pursue any project alternatives, since it would not result in reduced environmental impacts.

The EIR includes a set of comprehensive studies by respected, independent scientists related to areas of potential environmental impact, including:

Marine Environment

Dr. Scott Jenkins and Dr. Jeffrey Graham from Scripps Institution of Oceanography concluded that the surrounding marine environment would not be negatively impacted



Biologists Conduct Environmental Studies in the Agua Hedionda Lagoon

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by the project. The slightly increased salinity and temperature of the water discharged from the plant under the worst-case scenarios would not harm marine fish and plant life. These findings were supported by four comprehensive investigations:

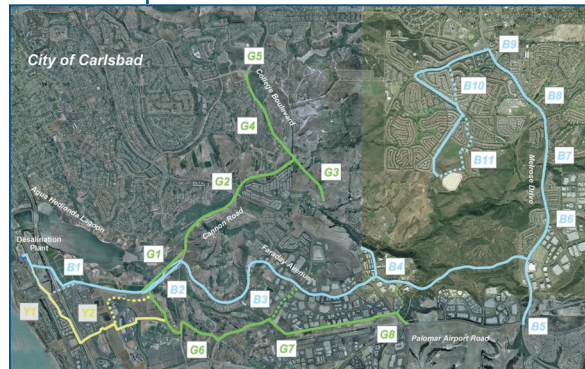
“Hydrodynamic Modeling of Dispersion and Dilution of Concentrated Seawater Produced by the Ocean Desalination Project at the Encina Power Plant” (Jenkins, 2001, 2005), “Marine Biological Considerations Related to the Reverse Osmosis Desalination Project” (Graham, 2004) and results of “Salinity Tolerance Investigations” (Le Page, 2004).

Impingement/Entrainment

Impingement (larger fishes and invertebrates trapped against the source water intake screens) and entrainment (small planktonic organisms that get drawn into the intake of the plant) are two important environmental areas of consideration. The TENERA environmental group's Impingement/Entrainment study found that the plant will not cause any additional impingement losses to marine organisms. The report found that only a small fraction (Less than 1%) of marine organisms would be lost to entrainment. This insignificant impact would have no effect on the species' ability to sustain their populations because of their widespread distribution and high reproductive potential.

Growth Management

The Growth Management Plan (GMP) - approved by the voters in November 1986 - controls growth in the City of Carlsbad and cannot be undone without a vote of the people. Consequently, the availability of water from the proposed Project will not have an impact on growth within the City of Carlsbad.



Off-Site Pipeline Alternatives in Carlsbad

The construction of the desalination plant and its offsite water delivery infrastructure will not produce significant or un-mitigatable traffic, noise or air quality impacts according to the EIR. A variety of pipeline alignments to carry the water from the plant to the city's water delivery system are studied in the EIR. Regardless of which combination of segments is ultimately selected, the potential network of pipelines would run along existing and planned roadway alignments, minimizing disruption.

Arguably the area of greatest significance identified by the EIR is the quality of drinking water produced by the desalination plant. Poseidon has completed scientific and engineering studies and developed a successful demonstration plant in Carlsbad

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Project Informational Video Released to Community

Poseidon Resources has produced an informative eight-minute video about their proposed Carlsbad desalination facility that features 3D animation of the desalination process and an explanation of the project's benefits, including:

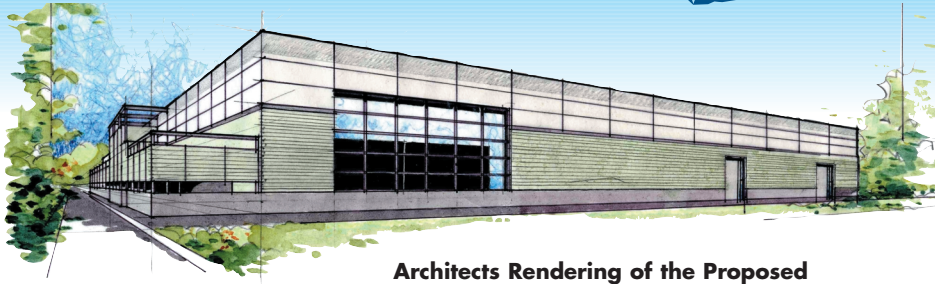
- A reliable new source (50 million gallons per day) of drinking water for Carlsbad and the San Diego region.
- Protection from the impacts of droughts.
- Local control over water supplies so the region is less susceptible to shortages or price increases associated with our current 90% reliance on imported water.
- Guaranteed competitive price not to exceed the County Water Authority's rate for treated water.
- Approximately \$2 million per year in new property tax revenue for the City of Carlsbad.
- Improved public access to Carlsbad State Beach and Agua Hedionda Lagoon.

The video is posted on Poseidon's website (www.carlsbad-desal.com). It is also available as part of a presentation that can be scheduled for community groups. If you are interested in scheduling a presentation or receiving a DVD of the video, please call Jessica Rodier at 619-595-7802. ■

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**Architects Rendering of the Proposed
Carlsbad Seawater Desalination Plant**

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that today is producing high-quality potable water that exceeds the most stringent environmental and regulatory standards, and over 99 percent of those who participated in taste studies graded the water as "good to excellent."

The EIR outlines Poseidon's obligation to provide the City of Carlsbad, and surrounding

communities, with a drought-proof supply of high quality drinking water in an environmentally responsible manner.

Implementation of the desalination

facility will depend heavily on acceptance and approval by the many governmental, environmental and regulatory agencies to make it a reality by 2008. A rigorous examination of the environmental impact report on the project will be crucial to the progress of this project.

Comments must be submitted in writing. They may be sent via mail or fax to: Scott Donnell, City of Carlsbad, Faraday Center, 1635 Faraday Avenue, Carlsbad CA, 92008. Fax: 760-602-8559.

Visit our website at
www.carlsbad-desal.com to view the project
EIR and project video!

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