

Carlsbad Seawater Desalination Project

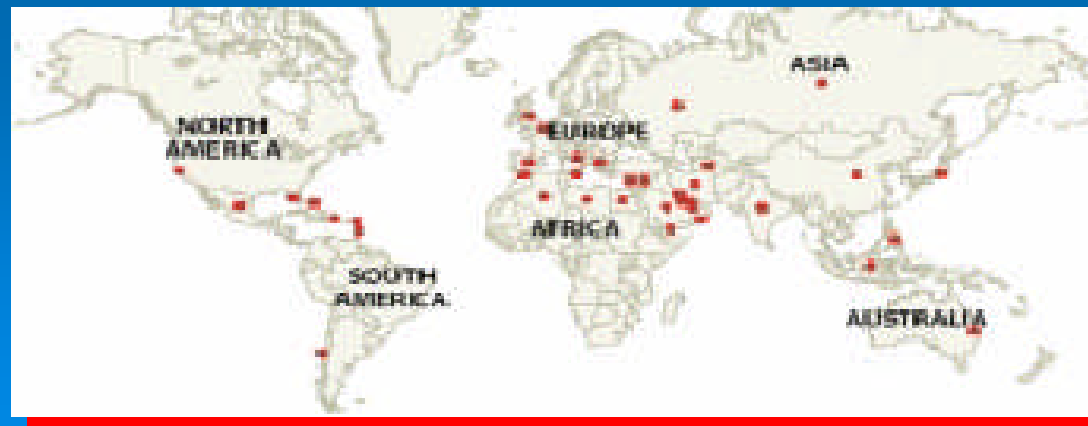


Who is Poseidon Resources?

- Privately held company that develops and invests in water infrastructure projects
- Headquartered in Stamford, CT with local California offices in Long Beach, Carlsbad and San Diego
- Representative projects:
 - Largest privately funded municipal wastewater plant in the U.S. – Cranston, RI
 - Largest portfolio of water infrastructure assets in Mexico – Pemex
 - Original developer of the first large scale desalination project in the United States located in Tampa, Florida.
 - Currently developing desalination projects in Carlsbad, Huntington Beach and Monterey County.

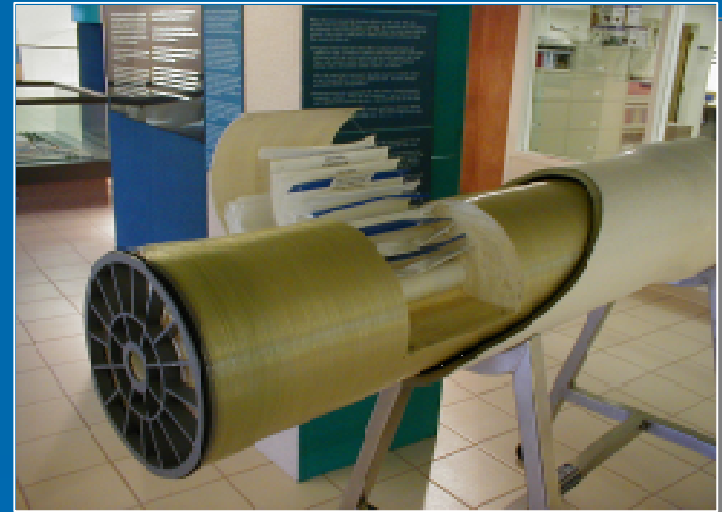
Why Desalination?

- Mature Technology
 - 21,000 Projects Operating Worldwide
 - 3 Billion Gallons Per Day of Production
 - Serving All Conceivable Uses
- Environmentally Responsible Solution
- Recent Reductions in Cost
- Affordable Water Supply Option



Why Now?

- Significant reductions in the cost:
 - Technology improvements
 - Use of existing infrastructure
 - Increased production efficiency
 - Economies of scale
 - Improved energy efficiency

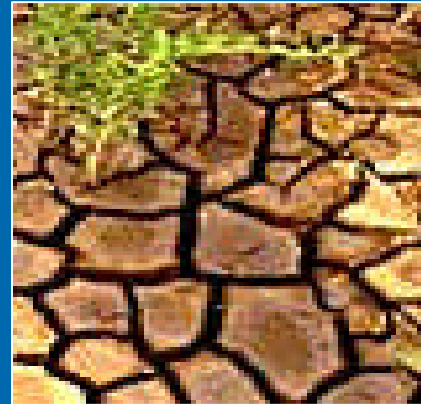


*Reverse osmosis
membrane and
pressure vessel
manufactured in
San Diego County*

Market Drivers



**Economic
Development**



Reliability

**Increased
Demand**



**Water
Quality**

Carlsbad Seawater Desalination Project

| | |
|------------------------|--|
| Location: | <i>San Diego County - City of Carlsbad</i> |
| Site: | <i>60-Year Lease With Cabrillo Power</i> |
| Estimated Cost: | <i>\$270 Million</i> |
| Quantity: | <i>50 MGD (56,000 AFY) constructed in one or more phases</i> |
| Quality: | <i>High (250 - 350 mg/L TDS)</i> |
| Reliability: | <i>Drought-Proof Supply Redundant Capacity</i> |
| Price: | <i>Not to Exceed Imported Water Cost Plus MWD Incentive</i> |
| Schedule: | <i>On-Line 2008</i> |



*Encina Power Plant
in Carlsbad, California*

Carlsbad Desalination Project Before & After Simulation



EXISTING SITE CONDITIONS

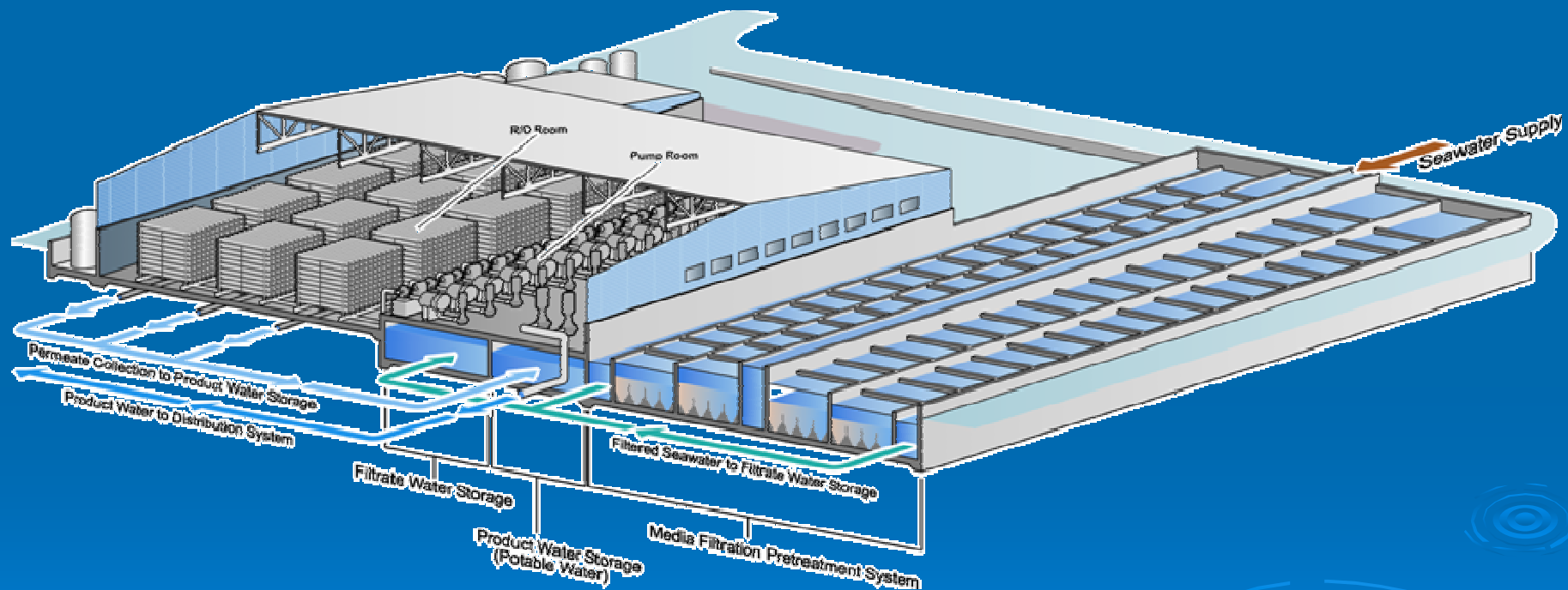


PROPOSED DESALINATION FACILITY AT ENCINA POWER STATION

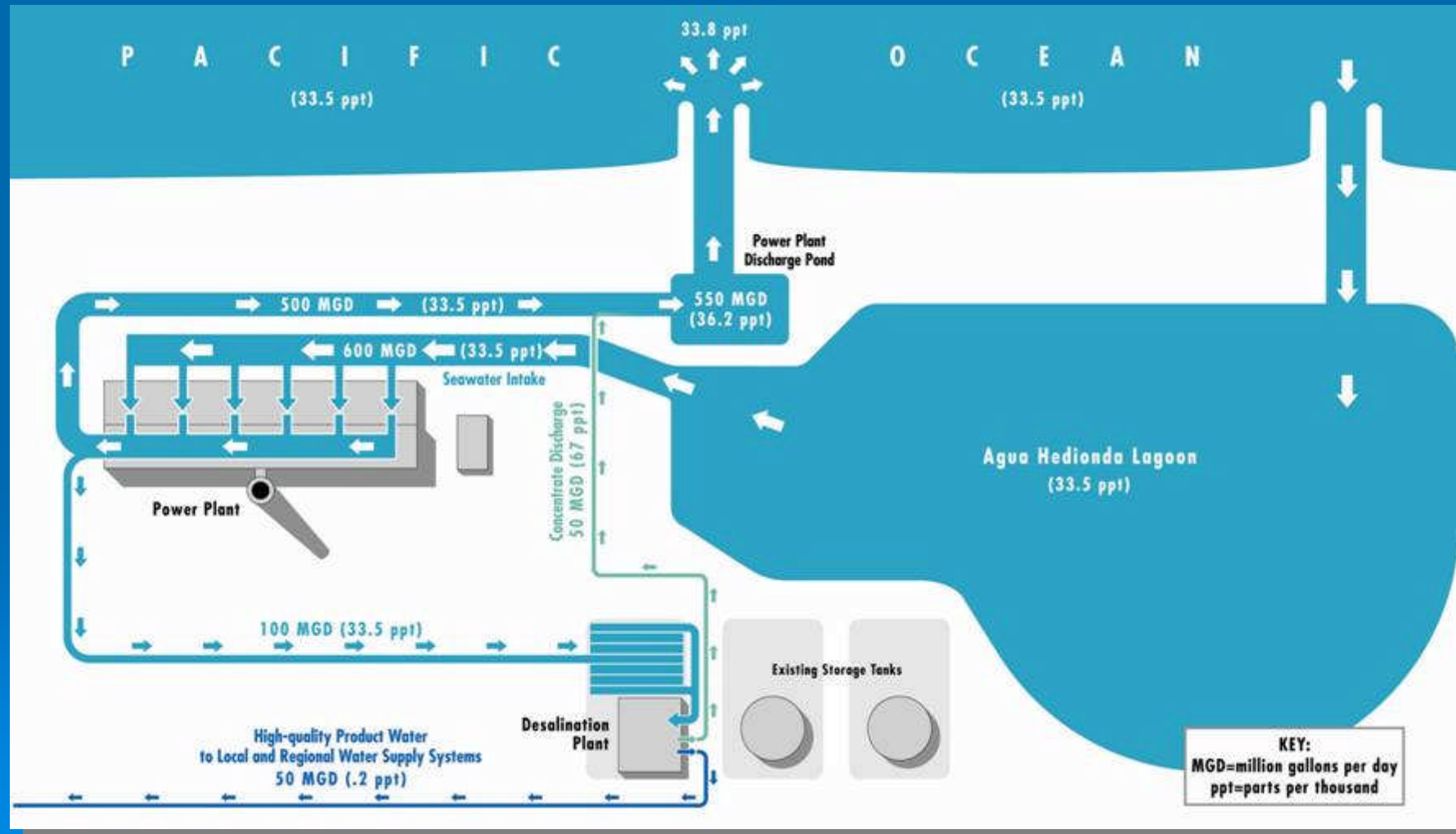
Carlsbad Desalination 50 MGD Project Simulation



Desal Plant Configuration

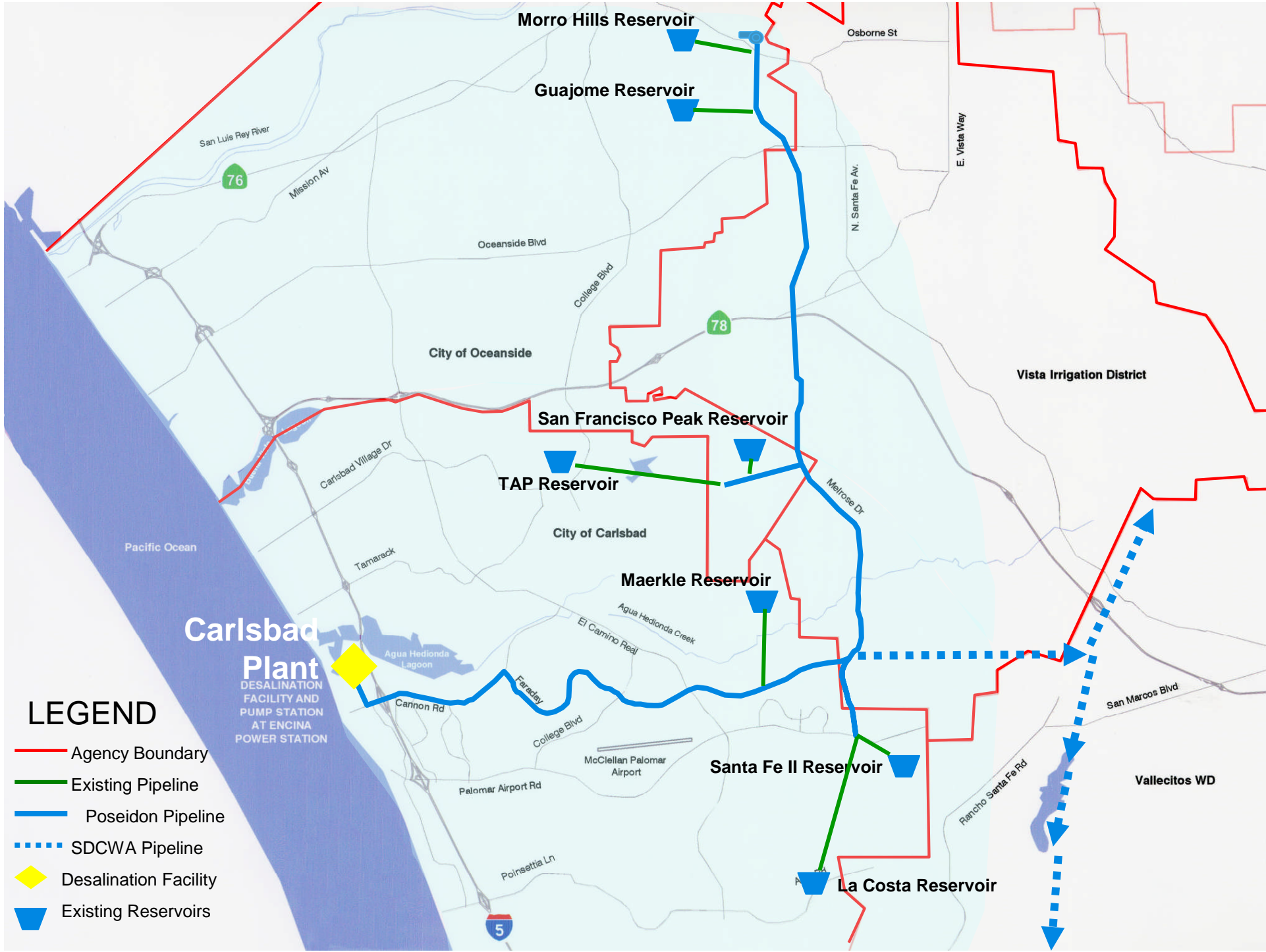


What Happens to the Salt?



Demonstration Plant





LEGEND

- Agency Boundary
- Existing Pipeline
- Poseidon Pipeline
- - - SDCWA Pipeline
- ◆ Desalination Facility
- ▾ Existing Reservoirs

Available Supply

- Plant Capacity 56,000 AFY
- Existing Commitments
 - Carlsbad MWD 21,000 AFY Water Purchase Agreement
 - Valley Center MWD 7,500 AFY Water Purchase Agreement
 - Rincon Del Diablo MWD 7,700 AFY Letter of Intent
 - Olivenhain MWD 5,000-17,000 AFY Letter of Intent
- Available Supply – Up to 14,800 AFY

Water Purchase Agreement

- Poseidon provides Purchasers with a specified quantity, quality and reliability of supply.
- The water would be treated as independently-owned, local water.
- Purchaser eligible to receive a back-up supply on terms generally available to SDCWA member agencies.
- Poseidon would assume the risk of development, permitting, financing, construction and operation of the project.
- Purchasers would only pay for water that is delivered in accordance with predetermined specifications – Quantity, Quality, Reliability etc.
- Ratepayers protected by long-term, fixed price water purchase agreement.

Addresses Key Coastal Issues

- Economically Feasible and Environmentally Responsible Solution
 - Cost of Water Never More Than That of Imported Water
 - Complements Conservation and Recycling Programs
 - Minimizes Intake Entrainment
 - Sustains Biological Productivity in the Discharge Area
 - Maintains, Enhances & Restores Water Quality
- Public Trust Aspects of Ocean Resources Preserved
- Advanced Through Local / Regional Coordination
- Does Not Result in Increased Growth
- Enhances Public Access to Coastal Resources
- Preserves Existing Governmental Regulatory Oversight

Project Benefits

- Entirely New Drought-Proof Water Supply
- Reduced Pressure on Sacramento-San Joaquin Delta
- Improved Water Quality
- Affordable and Predictable Price
- Increased Revenue to the City and Redevelopment Agency
- Dedication of Lagoon and Ocean Front Property for Public Access, Recreation and Marine Research
- Environmentally Sensitive Solution
- Strong Public Support