
From: Janet B rennan [janetb@montereybay.com]
Sent: Wednesday, February 07, 2007 9:00 AM
To: Andy Bell
Subject: Questions Regarding Aquifer Storage and Recovery in Seaside Basin

Andy - I've the following questions:

1. What is the current status of Phase I?
2. What is the status of Phase II?
3. What environmental impacts and mitigation measures, if any, were identified in the EIR on Phase I?
4. What is the relationship between this project and the Seaside Groundwater Basin Watermaster Board? Does the Board have any jurisdiction over the project?

I don't mind if you share these with the rest of the Committee. Janet

From: Rgreenwood@aol.com
Sent: Thursday, February 08, 2007 9:43 AM
To: Andy Bell
Subject: CAC

The Matrix cites a cost of \$610/AF for A.S.& R. For comparison with this and other WSP's, what is the average cost/AF to Cal-Am for our existing water supplies? Robert Greenwood

From: liWINOS@aol.com
Sent: Monday, February 12, 2007 5:14 PM
To: Andy Bell
Subject: Questions for A.S.R. from Roy Thomas

- 1.) What is the maximum amount (C.F.S.) of water that can now be removed from the Carmel River. ?
- 2.) Where is the requirement that river water stored in the Seaside Basin will be offset with water taken out during Spring, Summer, and Fall. ?
- 3.) In the past how much Carmel River water was used to offset the Seaside Basin by all extractors (people who pump water) ?
- 4.) Why not pump (extract) out water only during high flow (more than 100 CFS) times of year. ?
- 5.) Doesn't Spring extraction of river water have a negative effect on all fish hatchlings, frogs, and turtles when the " river flow" is less than " bank full flows".?
- 6.) Are there other sources of excess water that could be stored above or in the Seaside basin.?
- 7.) Is water stored and recovered in the A.S.R. Project subject to the provisions of order 95-10 , which requires new water be traded for reduction in Carmel River Diversions.?

From: Ron Chesshire [rcheshire@nccrc.org]
Sent: Monday, February 12, 2007 3:22 PM
To: Andy Bell
Subject: ??? Questions prior to Feb 13th

Andy, in A. Citizens Advisory Committee Charge, pg 1, bottom, it states that we are to prepare a report summarizing our comments on the 7 projects, including merits and drawbacks of each project, ***in terms of its capability to address the Monterey Peninsula's water supply need.*** So, 1. How much water does the Monterey Peninsula need? 2. Does the District prefer to address the need with a single project, multiple projects, or it doesn't have a preference. Thank you, Ron Chesshire

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MPWMD

Questions on ASR

Feb. 13, 2007

From Manuel G. Fierro

Whose water is the water pumped by the ASR?

What is the cost to pump the water?

Explain the Cal Am water rights and how it will affect the system when Cal Am goes on the stock exchange.

If a 20,000 to 22,000 AFY desal plant is built, will the ASR system be needed? Explain why even if a yes or no answer is given.

If Prop 50 funds are available, won't this be the misuse of public funds by paying Cal Am for the use of their pipe line?

How will Cal Am's sale on the stock exchange in the fall affect Cal Am's role in the implementation of the ASR?

Explain the water rights Cal Am has in the Seaside Basin.

13 Feb 07

TO: MR. ANDREW M. BELL, P.E., MPWMD

SUBJECT: QUESTIONS RELATIVE TO 26 FEB 07 REVIEW OF PROPOSED WATER PROJECT NO. 1 – AQUIFER STORAGE AND RECOVERY IN SEASIDE BASIN (MPWMD PROPONENT)

1. Clarification of item 7, "Project Yield"
 - a. Is the maximum CR diversion of 2,420 AFY limited by permit, pipe size or what?
 - b. Is the maximum Seaside extraction from Seaside of 1,500 AFY limited by infrastructure capabilities or a historical extraction figure?
 - c. Is the Seaside annual yield of 920 AFY what MPWMD suggests is a "safe" yield after implementation of the Seaside ASR project?
2. Clarification of item 9, "Comply w/ Ord 95-10"
 - a. My understanding of this ASR project is that 920 AFY ASR water will reduce the amount that Cal-Am will need to pump. Is 920 AFY ASR water subtracted from the amount legally pumped during the water year or does 920 AFY reduce the amount in violation (70%) that is pumped from the river?
3. What is the relationship, if any of the MPWMD Seaside ASR Project and the Seaside Adjudication mandate?
4. Can the CAC get a reader's digest briefing of the Seaside Basin Adjudication issue?
5. Can the CAC be provided with a copy of the Padre Consultants 2005 report (Block 74/75)?

Thank You,
Dewey J. Baird
Presidio of Monterey

MPWMD CITIZENS ADVISORY COMMITTEE
Questions & Answers between CAC Member Robert Greenwood and MPWMD Staff
Regarding the MPWMD Sand City Desalination Project

March 27, 2007

Robert Greenwood to District Engineer Andy Bell

Question: what data are available to validate the practicality of low-angle beach wells ?

March 28, 2007

Andy Bell to Robert Greenwood

I posed your question to Joe Oliver, and he asked that I confirm with you the following:

Are you inquiring about "offshore" (i.e., perpendicular to shoreline) HDD well, or "onshore" (i.e., parallel to shoreline) HDD wells?

From the work that CDM compiled for the District on the MPWMD Sand City Desalination Project evaluation, we know that there are serious questions about the feasibility of "offshore" HDD wells, due to the unproven technology of drilling by the "dead end" method into the local shallow offshore aquifer system. The "onshore" HDD well drilling technology, however, is quite different and is not a "dead end" method in that the well casing can be advanced from one end of the borehole and pulled through from the other end. This type of HDD is more common and has less uncertainty than the "offshore" concept.

Once we get your response, we will attempt to better answer your question.

March 29, 2007

Robert Greenwood to Andy Bell and Senior Hydrogeologist Joe Oliver

Thanks for explaining the two different kinds of near-horizontal wells. I had only heard of the "off-shore" variety. As for the "onshore," why should they be low-angle when vertical wells are simpler?

March 30, 2007

Joe Oliver

Robert is correct that vertical wells are simpler (and less expensive!) to construct than HDD wells. The main reason that HDD wells have been considered for this area is that the limited Sand City beachfront area available for desalination plant influent water also limits the production potential available from conventional vertical wells to capacities that did not meet the needs for the District's Sand City Desalination Project. At our current level of understanding, the "onshore" HDD well option has greater potential to meet the project's production needs than vertical wells. A less critical reason for HDD wells that did get some discussion at the time this project study was underway was that the HDD wells would create less of a "footprint" on the ground and less associated surface environmental disruption than conventional vertical wells.

From: Greg Pickens [gregpickens@comcast.net]
Sent: Monday, April 09, 2007 12:09 AM
To: Arlene Tavani
Subject: Questions for Sand City Desalination Project (SCDP) - CAC review meeting

Arlene,

My questions are:

- 1) Is HDD wells (Horizontal Directionally Drilled) or radial collector wells still the preferred intake method?
- 2) Is HDD/use of the regional wastewater treatment facility still the preferred brine disposal method?
- 3) How is redundancy addressed for SCDP and is it included in the cost projections (Bookman-Edmonston pg 5-13/14 notes 1,2 & 6).
- 4) Could SCDP be expanded to achieve the 12,500 AFY replacement goal plus 4,500 AFY future/projected need?
- 5) If SCDP could be expanded, would the ASR project (Carmel River diversion) still be required?
- 6) Does the SCDP and RUWAP (Regional Urban Water Augmentation Project) compete against each other? Could they be combined?

Please let me know if you would like this as a word attachment in the future.

Greg Pickens
643-0798

From: Paul Bruno [paul@mpe2000.com]
Sent: Tuesday, May 08, 2007 9:26 AM
To: Andy Bell
Subject: CAC questions re: PSM Desal

1. At this time, does PSM have any valid permits that would be applicable to the proposed desalination plant?
2. How much is the estimated cost? What is PSM's credit rating for a financing of this scale? Show us something that says that PSM could actually finance something this large.
3. PSM has made statements about things that it was going to do such as hire a consultant to prepare an Environmental Impact Report, hire engineers, build a pilot project, etc.. What substantive work has been done in the last 6 months? Please provide a detailed description of each activity, when it was completed, who performed the work, how much did it cost, who paid for it, etc.
4. Please provide any studies or other analyses that PSM did to investigate other sites for a desalination plant in the Moss Landing area.
5. How much would it cost to build the delivery and water storage system to get the water from Moss Landing to CalAm's water system? What have you done on the engineering, design, and environmental studies for this part of the system? Show us specifics.
6. How many staff assigned to water supply services does PSM presently have? How many staff would it take for the new water supply project—all aspects including the associated infrastructure?
7. How would PSM staff the desal plant and operation of all of the associated infrastructure (treatment plant, storage facilities, pipelines, pumps, etc.)? Would PSM enter into an Operating Agreement with Poseidon? What operating experience do they have? Do they have approvals from the State to operate facilities? Have they shown the technical, financial, and management expertise required by the State?
8. What financial projections have been made regarding the price that PSM would have to charge for the water supplied to its own ratepayers? Please provide that analysis. How would decisions be made for future water rates for customers who are not PSM ratepayers? Would such decisions be made by the PSM board of directors?

**Paul Bruno Questions re:
Pajaro/Sunny Mesa Community Services District Project
Responses provided by Peter MacLaggan, Poseidon Resources, July 10, 2007**

1. At this time, does PSM have any valid permits that would be applicable to the proposed desalination plant?

Response: Monterey County and the Central Coast Regional Water Quality Control Board have issued permits for Pajaro-Sunny Mesa Community Service District's (PSM) proposed pilot plant. Unlike a privately owned utility, PSMCSD is acting as the lead agency for its project for CEQA purposes. PSMCSD is not subject to the control or regulation of the CPUC.

2. How much is the estimated cost? What is PSM's credit rating for a financing of this scale? Show us something that says that PSM could actually finance something this large.

Response: In 2005, Poseidon Resources prepared a preliminary cost estimate for the 20 million gallon per day Monterey Bay Regional Desalination Plant (Project). The estimated cost of construction at that time including contingencies was \$132,000,000. A detailed breakdown of the cost estimate was provided to the Monterey Peninsula Water Management District (MPWMD) consultant on May 30, 2006. PSM is a public entity that has the statutory authority to sell long-term bonds or certificates of participation. See attached letter from PSM's bond counsel describing the District's bonding capacity for the desalination plant and appurtenances (Attachment 1).

3. PSM has made statements about things that it was going to do such as hire a consultant to prepare an Environmental Impact Report, hire engineers, build a pilot project, etc. What substantive work has been done in the last 6 months? Please provide a detailed description of each activity, when it was completed, who performed the work, how much did it cost, who paid for it, etc.

Response: Earlier this year, PSM suspended work on the environmental impact report and pilot plant pending outcome of three consensus processes that are currently underway to develop a comprehensive water resource plan for the Monterey Bay Region: (1) MPWMD Community Advisory Group; (2) Managers' Group; and (3) CPUC Division of Rate Payer Advocates.

4. Please provide any studies or other analyses that PSM did to investigate other sites for a desalination plant in the Moss Landing area.

Response: PSM consultants and attorneys conducted a full survey and analysis of every parcel of land within the North Monterey County Local Coastal Plan (LCP) that would allow the development of a seawater desalination plant. They also analyzed available infrastructure. PSM's consultants discussed the District's desire and search for a site to remedy existing water supply

problems with senior Coastal Commission staff. PSM staff and contract attorneys and engineers reviewed and analyzed existing county ordinances and county and regional plans, including federal and state agreements and privately held historical records of the development and drafting of the North County LCP, to determine that the PSM location (National Refractories) was the premier site for a plant to provide water to PSM customers and North County. The District Board of Directors received this information during several meetings. Discussions were also held with Duke Energy employees and PSM staff and consultants, but PSM concerns about significant public opposition and regulatory disfavor toward the long term viability of "once through" cooling, and its significant local environmental impacts, made the Duke site problematic and less viable to our agency.

5. How much would it cost to build the delivery and water storage system to get the water from Moss Landing to Cal-Am's water system? What have you done on the engineering, design, and environmental studies for this part of the system? Show us specifics.

Response: In 2004, PSM consultant Kennedy/Jenks Consultants (KJC) prepared a preliminary design for the pumping, storage and transmission line facilities for the Monterey Bay Regional Desalination Plant. On September 15, 2004, KJC submitted the preliminary cost estimate for the pumping, storage and transmission line facilities to the MPWMD. The estimated cost of construction at that time including contingencies was \$38,500,000. On May 31, 2006, KJC provided the MPWMD's consultant with an updated cost estimate. The estimated cost of construction at that time including contingencies was \$50,755,500. KJC used the ENR index to update the cost estimate for the pumping and storage facility. To update the cost estimate for the transmission line, KJC used unit prices for a similar job that it recently bid. The proposed alignment for the Monterey Peninsula transmission pipeline is shown in **Figure 1**.

6. How many staff assigned to water supply services does PSM presently have? How many staff would it take for the new water supply project-all aspects including the associated infrastructure?

Response: PSM has nine water employees, not including administrative staff and contract engineers. The District currently produces, operates, and provides, consistent with California law, public water services and supplies to customers, households, commercial and industrial businesses, and agricultural enterprises both inside and outside the District's boundaries. The District's service area is shown in **Figure 2**.

7. How would PSM staff the desal plant and operation of all of the associated infrastructure (treatment plant, storage facilities, pipelines, pumps, etc.)? Would PSM enter into an Operating Agreement with Poseidon?

Response: PSM, after research and review, has concluded that Poseidon Resources Corporation (Poseidon) is qualified to develop, construct and manage the district's proposed desalination plant at Moss Landing. PSM and Poseidon entered into a Development and Management

Agreement on July 25, 2005, for the purposes of facilitating the permitting and entitlement of the actual development of the Project to produce potable water and serve customers in Monterey County and adjacent areas. PSM is negotiating a management and services agreement with Poseidon with respect to the development, financing (if necessary), construction, operation and management of the Project.

8. *What operating experience do they have?*

Response: Poseidon is currently engaged in the permitting, development, financing, construction and operation of both publicly owned and privately owned water infrastructure project throughout North America for the purpose of the production, treatment and delivery of water. See Attachment 2 for a description of Poseidon's representative experience.

9. *Do they have approvals from the State to operate facilities? Have they shown the technical, financial, and management expertise required by the State?*

Response: The San Diego and Santa Ana Regional Water Quality Control Boards (RWQCBs) have issued National Pollution Discharge Elimination System (NPDES) permits and waste discharge requirements for the Carlsbad and Huntington Beach projects, respectively. These projects are the only large-scale desalination projects in the State of California to receive such approval from the RWQCBs. The California Department of Health Services (DHS) has notified Poseidon in writing of its conceptual approval of Poseidon's plans to construct and operate both the Carlsbad and Huntington Beach seawater desalination projects and deliver the desalinated water into the public water systems to be served by the projects. These two projects are the only large-scale desalination projects in the State of California to receive such approval from the DHS. Once the project design is complete, Poseidon will formally apply for a domestic water supply permit. This process includes the submission of information necessary to comply with the Technical, Managerial and Financial Capacity requirements.

PSM has current TFM certification by DHS. Further, as a California public governmental agency legally authorized to act pursuant to the California Constitution and the California Government Code, PSMCSD is conclusively presumed to have all of the expertise authorized, required, and necessary to develop, own, manage, and operate a desalination plant for the purposes of producing potable water for the uses that PSMCSD is authorized to serve water. These include all domestic, residential, commercial, industrial, and agricultural uses of water.

8. *What financial projections have been made regarding the price that PSM would have to charge for the water supplied to its own ratepayers? Please provide that analysis. How would decisions be made for future water rates for customers who are not PSM ratepayers? Would such decisions be made by the PSM board of directors?*

Response: The estimated cost of water produced by the proposed Project is \$1,100 to \$1,200 per acre-foot (2005 \$). A detailed breakdown of the cost estimate was provided to the

Monterey Peninsula Water Management District (MPWMD) consultant on May 30, 2006. Future water rates for customers who are not PSM ratepayers would be established through mutually acceptable long-term water purchase agreements between the purchasers and PSM, or the entity ultimately responsible for the Project. The purpose of the water purchase agreements is to set forth certain binding understandings regarding the purchase of desalinated water from the proposed Project including, but not limited to, quantity, quality, reliability, delivery point/regime, price and term.

Law Office of
ROBERT M. HAIGHT
ATTORNEY AT LAW
Municipal Bond Counsel

July 9, 2007

Joe Rosa General Manager
Pajaro/Sunny Mesa Community Services District
136 San Juan Road
Watsonville, California 95076

Re: Bonding Capacity for Desalinization Plant and Appurtenances (the "Project")

Dear Mr. Rosa:

You have requested my opinion regarding the legal capacity of the Pajaro/Sunny Mesa Community Services District (the "District") to provide bonding capacity for your proposed Project, which is estimated to cost approximately \$180 million.

Presently, the District has jurisdiction over water, street lighting and park services within the District boundaries. A seawater desalinization project would qualify as a water project.

The District may also provide financing for the Project. Such financings would include an issuance of Certificates of Participation (the "Certificates") to be executed and delivered in such principal amounts as are necessary to construct and/or acquire the Project and pay all incidental expenses and costs of issuance therefore.

You have indicated that the Project would cost \$180 million. Please be advised that the District has no particular dollar amount that it is limited to in its financings. The only limitation would be the District's ability to pay the obligation back over a period of 30-40 years. The District would be required to secure its revenue sources prior to or concurrently with, the execution and delivery of the Certificates. Securing its revenues means that the District would have water delivery contracts in place with other municipal agencies within the counties of Monterey, Santa Cruz, and/or San Benito and that the net water sales would amount to at least 115% of the debt service on the Certificates.

I would propose the District appoint a fiscal agent (the "Fiscal Agent") such as Union Bank of California, N.A., to handle and manage the various funds that the issue would require (i.e., project fund, reserve fund, costs of issuance fund and payment fund. It is my opinion that with the appointment of a Fiscal Agent, the District has sufficient staff to administer the financing portion of the Project.

Please advise any further questions.

Very truly yours,



ROBERT M. HAIGHT

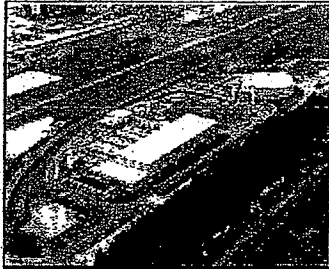
cc: Marc Del Piero, Esq.

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Representative Project Experience

Poseidon Resources Corporation

Tampa Bay Seawater Desalination Facility

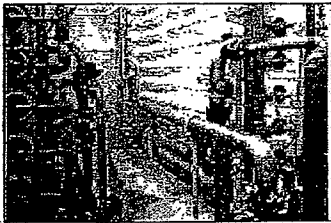


The 25 million gallon per day Tampa Bay Desalination Project is the largest potable desalination plant of its kind in the United States. The Tampa Project gained national recognition as the first major seawater desalination project to produce drinking water at a cost comparable to other new water sources. Poseidon in partnership with Stone & Webster won this project in competition with the Ionics team; the Israeli Desalination Engineering (IDE)/Parsons Team; and the Dupont/US Water team. The Tampa desalination plant includes a 25 MGD reverse osmosis facility; over 14 miles of product water conveyance pipeline and a 350-horsepower product water pump station. The project, financed with non-recourse tax-exempt debt, is the first of its kind in the United States. Poseidon, permitted, financed, designed, and oversaw project implementation through mid-term of construction. The project was subsequently purchased by Tampa Bay Water Authority in March of 2002. Since it began operation in February of 2003, the Tampa desalination plant has produced and delivered over 5.0 billion gallons of fresh potable water to the Tampa region. Currently, this facility is undergoing process enhancements aimed to address challenges in pretreatment system performance and is expected to reach full production capacity by the fall of 2007.

Cadereyta Water Reclamation Facility



In October 1996, Poseidon Resources Corporation, through the special purpose company Aquas Tratadas de Cadereyta, signed a contract with the Petroleum Company of Mexico (PEMEX) to treat waste streams from the refinery at Cadereyta, Mexico for reuse at the refinery. The Reclamation Facility began full operation in October 1998. This facility consists of three trains for separate treatment of municipal wastewater, refinery process waste flows, and cooling tower blowdown, and demineralizer regeneration streams, a total of 13.8 MGD. Treatment of the latter streams



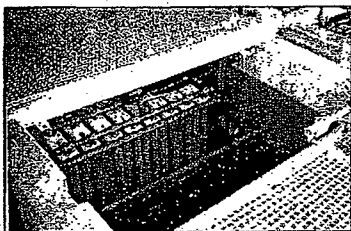
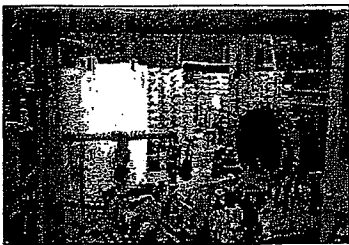
consists of warm softening, filtration, and desalination by reverse osmosis, with the reject passing to evaporation and crystallization to create a zero-discharge facility. The product from desalination treatment is used for boiler feed water. The only waste streams from the plant are sludge and salt crystals.

Madero Water Reclamation Facility



Poseidon Resources Corporation, through the special purpose company Aquas Tratadas de Madero, signed a contract with the PEMEX in October 1997, to treat waste streams from the refinery at Madero, Mexico for reuse at the refinery. The Reclamation Facility began full operation in November 1999. The facility has a total treatment capacity of 3.5 MGD and consists of two treatment trains treating refinery process waste flows, and cooling tower blowdown and demineralizer regeneration streams. The latter streams are treated by warm softening and filtration, combined with the treated process water (having received biological and filtration treatment), and the total flow is desalted using reverse osmosis, with the reject passing to evaporation and crystallization. The product from desalination treatment is used for boiler feed water. The only waste streams from the plant are sludge and salt crystals.

Minatitlan Water Reclamation Facility



The Petroleum Company of Mexico signed a contract with Poseidon Resources Corporation, through the special purpose company Aquas Tratadas de Minatitlan, in November 1999 to finance, design, construct and operate a reclamation facility to treat waste streams from the refinery at Minatitlan, Mexico for reuse at the refinery. The Reclamation Facility is in operation since December 2001. The treatment scheme consists of two trains, one for advanced biological treatment of municipal wastewater and the second for biological treatment of refinery process waste flows, a combined total capacity of 15.7 MGD. Of the total flow, 9.1 MGD is further treated using ultrafiltration (UF) membrane pretreatment system followed by reverse osmosis desalination facility. The product from desalination treatment is used for boiler feed water and other industrial process needs.

Salina Cruz Water Treatment Facility

The Salina Cruz water treatment facility is located in the state of Oaxaca, a moderately arid region within Mexico. Oaxaca receives most of its water during a winter rainy season and experiences water shortages during the drier summer months. To address the regions water needs, our industrial customer Pemex, specified a multi-train water treatment and reuse system integrated with an ocean desalination system. The seawater desalination facility uses large intake beach wells, greensand filters and reverse osmosis membranes. The beach wells used at the Salina Cruz facility are the largest seawater intake wells in North America - three Raney-type radial collectors with capacity of 3.8 MGD, each. The facility operates on a continuous basis since the fall of 2002 and has a capacity utilization factor of over 95%.

Tula Wastewater Treatment Facility

The 5.5 MGD Tula wastewater treatment plant is located in the northern suburbs of Mexico City. The purpose of this plant is to produce effluent for water reuse in the PEMEX's Tula facility. The wastewater plant consists of primary treatment facilities, biological wastewater treatment, and chemical filtration. Sludge from the biological treatment processes is disposed to a local landfill. The plant is in operation since October 2000. The facility operational downtime is less than 2 %, which is well within the contractual agreement.

Cranston, Rhode Island Wastewater Treatment Plant



Poseidon Resources Corporation, through its special purpose company Triton Ocean State LLC, was selected by the city of Cranston, Rhode Island to make upgrades and improvements to the city's wastewater treatment plant and to operate the plant under a twenty-five year lease and water treatment arrangement. Triton has completed over \$30 million in required upgrades and improvements to the treatment plant (23 MGD capacity) and collection system since the contract commenced in September 1997. Additionally, Poseidon made an upfront payment of \$48 million, which the city used to defuse existing debt, repay inter-government obligations, and provide rate reduction for customers. Poseidon provided equity, and the debt was financed on a non-recourse basis with taxable institutional debt and tax-exempt revenue bonds.

Large-Scale Seawater Desalination Plant, Carlsbad, California



Poseidon has been working with the City of Carlsbad since 1998 on a public-private partnership to construct a 50 MGD (190,000 m³/d) plant at the site of the Encina Power Station. The plant is scheduled to be completed by 2010, and will produce enough drinking water to serve 300,000 residents annually.

In 2006, Poseidon and the City of Carlsbad completed the last in a series of agreements that provide Carlsbad with a high quality, locally-controlled, drought-proof supply of water. Under the agreements, Poseidon will provide the City of Carlsbad with its entire daily requirement for water, up to 25 MGD, and assume all risks and responsibility for the financing, development, construction and operation of the project. This past year Valley Center Municipal Water District, Rincon del Diablo Water District and Sweetwater Authority entered into similar water purchase agreements with Poseidon to purchase a percentage of their supply. The Carlsbad plant is over 65% subscribed and Poseidon is currently in negotiations with additional local water agencies for the remaining output.

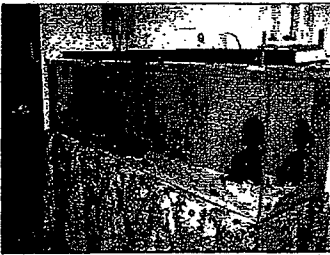
Also in 2006, the City of Carlsbad's City Council unanimously approved certification of the Environmental Impact Report (EIR)

and local land use permits for the Carlsbad desalination plant being developed by Poseidon. The desalination project's environmental review process commenced in May 2004 and benefited from significant public input and involvement over a 18 month period. In approving the desalination plant's EIR, the City Council concluded there were no significant, unavoidable impacts for both the construction and on-going operation of the plant related to thirteen different areas studied including noise, traffic, growth-inducement, air and water quality, land use, public utilities and natural resources. The EIR was independently prepared for the City of Carlsbad by consulting firm Dudek & Associates, Inc.

On August 16, 2006 the San Diego Regional Water Quality Control Board issued a five-year discharge permit, which includes a number of environmental protections designed to regulate the discharge of the concentrated seawater byproduct of the desalination process at the Carlsbad plant. Also in August Poseidon submitted its coastal development permit application to the California Coastal Commission and is on schedule for a public hearing in 2007. The Coastal Development Permit is a critical discretionary permit required to build the 50-million-gallon-per-day desalination plant in Carlsbad. Finally, on October 25, 2006, the California State Department of Health Services (DHS) issued its preliminary approval for the Carlsbad desalination plant to produce drinking water. DHS' conditional conceptual Domestic Water Supply Permit will be finalized once the plant has received its remaining development permits and prior to the completion of construction.

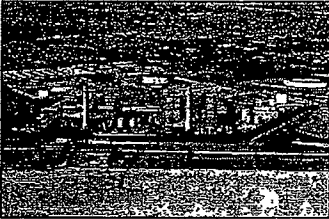
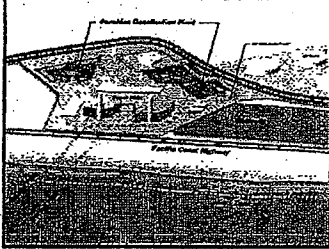
An internationally-renowned team selected to design, engineer, construct and startup the Carlsbad seawater desalination project. In support of Poseidon Resources, the team consisting of Acciona Agua and its partners, American Water, the J.R. Filanc Construction Company and PBS&J, will be responsible for building the largest seawater desalination plant in the Western Hemisphere. GE Water & Process Technologies, has also joined the team to invest in the final stage of the Carlsbad project.

Carlsbad Demonstration Seawater Desalination Facility, California



In order to develop comprehensive background information for the design and permitting of several large seawater desalination plants in Southern California, Poseidon Resources has constructed a demonstration seawater desalination plant at the Encina Power Plant in Carlsbad. The seawater desalination demonstration facility consists of a 110-gpm raw water intake feed pump station; basket strainer; feed storage tank; a 50-gpm conventional and microfiltration pretreatment systems; filter effluent transfer pumps; RO feed water storage tank; 5-micron cartridge filter; 40-gpm high-pressure reverse osmosis (RO) feed pump; a single-stage RO system; lime conditioning post-treatment system; and ultraviolet (UV) disinfection system. The demonstration plant is fully automated and is equipped with computerized data generation, monitoring and logging system. Demonstration plant's state-of-the-art design, configuration and multifunctional use have been recognized by the San Diego Section of the American Planning Association, which granted this project the Year 2003 First Place Award in the Category of Innovative Use of Technology. The demonstration plant also received the American Academy of Environmental Engineers 2006 Grand Prize for Excellence in Environmental Engineering Research. In addition, on September 12, 2006 the International Water Association (IWA) awarded Poseidon Resources the 2006 Global Grand Prize in the Applied Research category for advancing seawater desalination science. The demonstration plant is equipped with a marine aquarium where aquatic organisms endogenous to the area to test the effect of the desalination plant discharge on the aquatic life. The marine species have adopted seamlessly and after more than six months of continuous exposure to the elevated salinity concentration, are healthy and tolerate the new discharge conditions very well.

Seawater Desalination Plant at Huntington Beach, California



The Poseidon Seawater Desalination Project at Huntington Beach is a 50 MGD seawater desalination plant that would provide a reliable new local source of high quality water for the residents of Orange County, California. Huntington Beach has the opportunity to be at the front of the pipeline of this new local, drought-proof water supply. The desalination facility in Huntington Beach would also be the home to a 10-million gallon water storage tank of drinking water. On a regional level, Orange County will benefit from a new source of water supply in the basin, enhanced system reliability, higher water quality, and an environmentally friendly project that reduces dependency on imported water from Northern California and the Colorado River. The desalinated water would go through a newly constructed a seven mile pipeline to carry the water into the regional distribution system serving Orange County water agencies. The Huntington Beach Desalination Project is expected to be operational in 2010.

From: Janet B rennan [janetb@montereybay.com]

Sent: Tuesday, May 15, 2007 10:09 AM

To: Andy Bell

Subject: Re: Order of presentations changed - Cal-Am's Coastal Water Project will be the topic of the May 29 Community Advisory Committee meeting

My question: What is the planned capacity for the transmission pipeline to the Monterey Peninsula?

From: Greg Pickens [gregpickens@comcast.net]
Sent: Wednesday, June 13, 2007 1:38 PM
To: Arlene Tavani
Subject: Pajaro/Sunny Mesa Project - Questions
4 yr: -1

Arlene, I will not be able to attend however, here are my questions. I would also like to get a copy of the recording/presentation if the meeting is held. In advance, thanks...

- 1) Is there any update on pipeline right-of-way costs?
- 2) Am I correct in understanding that the cost of water is based on contract volume plus pipelines, pumping facilities and right-of-ways. Does this mean that if Poseidon finances the project, Monterey Peninsula users pay only for water delivered and is not responsible for the capital costs or success of the project?
- 3) What is the status of other Poseidon projects in California, the US and the world that is similar in size/scope?
- 4) What guarantee does the Monterey rate payer have that the rates will remain consistent with what they are today?
- 5) What participation will be expected of MPWMD and CAL AM if awarded the project?

Thanks Arlene,

Greg Pickens

643-0798

