

S.D. Water Authority Pushes on With Desalination Plan Infrastructure: Deal With Connecticut-Based Firm Stymied By Privacy Pact

BY JULIE POUCHER HARBIN

A potential water desalination deal between the San Diego County Water Authority and the company running a pilot desalination plant in Carlsbad has been on hold for nearly 10 months as both parties negotiate the terms of a confidentiality agreement.

At the same time, the Water Authority's board is questioning why a plant once operated by Connecticut-based desalination project developer Poseidon Resources in Tampa Bay, Fla., is only producing at half capacity and running into technical difficulties. Despite the snags, the Water Authority continues to conduct studies on the Carlsbad project's environmental impact.



About 75 percent of San Diego's water comes from the Colorado River, said Ken Weinberg, the Water Authority's director of water resources. The agency wants to reduce San Diego's dependence on the Colorado River supply and believes desalination is important to diversify the county's water sources.

Weinberg and officials with Poseidon, which operates the pilot plant in Carlsbad, said the price for desalinated water has been almost cut in half over the last decade, making it more competitive with other water sources. Weinberg said the cost also might be defrayed through state and federal funding and possible incentives from the Metropolitan Water District.

Poseidon partnered with Cabrillo Power 1, LLC, which owns the Encina power station in Carlsbad, to set up a desalination pilot project on the plant's site in late 1998. The company opened talks with Carlsbad on how it could help meet some of the city's water needs.

In October 2001, Carlsbad asked the Water Authority to get involved in discussions after Poseidon reported its studies showed they could produce more drinking water than Carlsbad needed.

The talks eventually led to a term sheet for negotiations between Poseidon and the Water Authority in November 2002.

The demonstration plant is less than a tenth of a percent of the size of a full-scale desalination plant and has been producing desalinated drinking water since January.

If a full-scale plant is built — Poseidon says 2007, while the Water Authority predicts 2008 — plans are for the desalination plant to siphon off 100 million gallons of seawater per day from the power plant's daily intake of 600 million to 800 million gallons daily. Fifty million gallons of drinking water would be produced and then connected, via an elaborate and expensive new piping system, to the county's existing drinking water system 10 miles inland.

Weinberg said the plant could provide 8 percent of the county's water needs, based on current

population figures, when it's fully functional.

The Deal

The term sheet agreed to in late 2002 between Poseidon and the Water Authority expired Feb. 27. Since then, Weinberg said the parties have met several times, most recently Dec. 2, to hammer out a confidentiality agreement.

Poseidon, which has invested "in excess of \$6 million" on the project, said it has made all the information it's developed over the last five years available with the understanding that the company and the Water Authority are working out a business deal.

"They can't use our information to do a project that doesn't include us," said Poseidon Senior Vice President Peter MacLaggan.

The Water Authority board said it cannot commit to any business deal before studies are complete and certified in an environmental impact report and has given the parties until the end of January to work out their differences.

"We are not asking Poseidon to give us information, but if we are to work together, to the extent that they give us information, we need to agree on what is and isn't protected under confidentiality privileges," Weinberg said. "Poseidon has done a lot of work and that is information that could speed up the environmental review, but we can do the EIR without their information."

The EIR could be released to the public by late summer 2004 and is expected to cost the Water Authority between \$475,000 and \$1.1 million.

An early release date and cheaper variant, Weinberg said, depends largely on the extent of Poseidon's cooperation.

Weinberg said if an agreement can't be reached on what is confidential, the Water Authority will be forced to decide "whether to do this project or not, (and) whether to do it with Poseidon."

Poseidon's Other Projects

Poseidon and Tampa Bay Water agreed in 1998 to develop a 25 million gallon-per-day desalination plant at Tampa Electric's Big Bend power station. Construction essentially was finished in the spring of 2003.

The plant, however, isn't "working as promised," Weinberg said. "There were significant problems in different parts of the pre-treatment system and it hasn't been fixed yet."

At the same time, according to MacLaggan, to complicate matters, the builder initially contracted by Poseidon filed for Chapter 11 on Oct. 29. In Weinberg's words, "that put a stay on the whole project."

Poseidon had been bought out of the project by Tampa Bay Water in May 2002 but remained in an advisory capacity until May 2003, MacLaggan said.

Tampa Bay Water took charge of the project halfway through construction, he added, and the troubles it is now experiencing with the builder has "nothing to do with technology and everything to do with design changes and construction defects that occurred after Tampa Bay Water purchased the plant from Poseidon."

Weinberg said San Diego water officials are watching the Tampa case “very closely,” since it’s a pioneer project for seawater desalination.

“We’ve already learned some lessons in our discussions with Poseidon about the fact that we need to be much more involved in the selection of a contractor,” Weinberg said.

Meanwhile, Huntington Beach’s mayor has appealed the city planning commission’s certification of an environmental impact report governing Poseidon’s proposed project on the AES power plant site in the Orange County city.

Questions about the project’s environmental impact, economic issues, and coastal use were raised by citizens groups, California Energy Commission staff members and others. The Huntington Beach City Council was expected to vote Dec. 15 on whether to go ahead with the project.

Weinberg said the Water Authority is watching that process as well.

Weinberg said that though the Carlsbad project is the one the agency is furthest along on in terms of studies, it is also working with engineers (who have been contracted and are paid by the Water Authority) on other feasibility studies in the region.

The Water Authority is talking with Southern California Edison, the majority owner of the San Onofre Nuclear Generating Station, and the Municipal Water District of Orange County on a feasibility study to build a desalination plant there, and is also investigating potential sites in South Bay.