



FOR IMMEDIATE RELEASE
January 4, 2007

Contact:
Scott Maloni
858-663-8838 (cell)
Sue King
Sweetwater Authority
619-992-1971 (cell)

Sweetwater Authority and Poseidon Resources Announce Water Purchase Agreement

Poseidon's Carlsbad desal plant secures another long-term customer

Chula Vista, CA – The Sweetwater Authority (Sweetwater) today announced its Board of Directors unanimous approval of a landmark Water Purchase Agreement with Poseidon Resources Corporation. Under the agreement, Poseidon will provide Sweetwater with 2,400 acre-feet (an acre foot is equivalent to one acre of water one foot deep, and serves the annual needs of two typical families) per year of water from its Carlsbad desalination plant.

Sweetwater joins the City of Carlsbad, and the water agencies of Valley Center and Rincon del Diablo as the fourth San Diego County water agency to enter into a Water Purchase Agreement with Poseidon for desalinated water from the Carlsbad plant. Nearly 70 percent of the plant's 56,000 acre-feet-year capacity is now subscribed through long-term water purchase agreements.

Poseidon is building a 50-million-gallon-per-day (56,000 acre-feet annually) desalination plant at the site of the Encina Power Station in Carlsbad. The proposed \$270 million desalination project has received all of its local approvals and has an application pending with the California Coastal Commission for a Coastal Development Permit. The plant is scheduled to be completed by 2009.

Sweetwater, which currently receives 26% of its water supply from drought resistant sources (wells, and brackish water desalination), was recently named the most reliable water agency in San Diego County. By this agreement, Sweetwater plans to acquire 10 % of its future water supply from the Carlsbad Desalination Plant, which would increase its drought tolerant supplies to 36% by 2010.

“Seawater desalination is an important part of the solution to the region's long-term water reliability needs,” said Sweetwater Authority board chairman and San Diego County Water Authority board member Bud Pocklington.

-MORE-

“The plant that Poseidon is building in partnership with the City of Carlsbad is capable of providing regional benefit to water agencies like Sweetwater. We stand strongly in support of advancing this critically-needed new supply of high quality water,” concluded Pocklington.

“We appreciate Sweetwater’s vote of confidence in unanimously approving a water purchase agreement,” said Poseidon President Walter Winrow. “The leadership displayed by this board ensures Sweetwater is now guaranteed a locally-controlled, drought-proof supply of water never to exceed the price of water it would otherwise purchase from the San Diego County Water Authority,” said Winrow. “In the near future we anticipate all 50 MGD from the Carlsbad desalination plant will be spoken for through long-term water purchase agreements with local public water agencies,” Winrow concluded.

Highlights of the Water Purchase Agreement include:

- Sweetwater will receive 2,400 acre-feet per year of drinking water over a 30-year period, with the unilateral option to extend the agreement for two additional 30-year terms.
- Sweetwater’s price of water paid to Poseidon will not exceed that which would have been paid for the imported water supply from the San Diego County Water Authority.
- Poseidon will be responsible for all costs and risks associated with the financing, development, construction, and operation of the plant.
- The water will meet or exceed all drinking water regulatory standards under the law, and Sweetwater will never be obligated to accept or pay for water that does not meet the quantity, quality and reliability standards specified in the Agreement.
- Water deliveries will be indirect via exchange arrangements with another water agency.

Located in southern San Diego County, Sweetwater provides safe, reliable water service to approximately 180,000 people in National City, Bonita and the western and central portions of Chula Vista, California. Sweetwater Authority’s web site is www.sweetwater.org.

Poseidon Resources specializes in developing and financing water infrastructure projects, primarily seawater desalination and water treatment plants. These projects are implemented through innovative public-private partnerships in which private enterprise assumes the developmental and financial risks. For more information on Poseidon Resources, please visit our website at www.carlsbad-desal.com

-END-