



San Diego County  
Water Authority

News Release

# Carlsbad Desalination Project Wins 'North American Water Deal of the Year'

**Project Finance magazine cites Water Authority's role and credit were key to success**

March 8, 2013 -

The Carlsbad Desalination Project was honored Thursday in New York as the "North American Water Deal of the Year" for 2012 by Project Finance, an international trade publication that annually highlights major industry accomplishments around the world.

The magazine's March issue said the \$734 million bond issue in December "could serve as a useful template" for public-private partnerships in the water industry, particularly for seawater desalination projects.

"The San Diego County Water Authority ... was the key to bringing the deal to close," said Project Finance, which bases its accolades on innovation, deal repeatability, value, problem solving, risk mitigation and other factors. This year, it is holding awards ceremonies in Singapore, Dubai, London and New York.

Project Finance highlighted the Carlsbad project's Water Purchase Agreement, which allowed the Water Authority to shift appropriate construction and operation risks to developers. The Water Authority only pays for water that is produced according to pre-set quality and quantity standards. The magazine also noted the public nature of the desalination project, which included more than 40 public meetings before the purchase agreement was approved by the Water Authority's Board of Directors on Nov. 29, 2012.

"This is wonderful recognition of the dedication and cooperation by all parties to work through complex issues and find solutions so that we could proceed with a vital water supply project that will be a cornerstone for meeting our region's water needs for decades," said Thomas V. Wornham, Chair of the Water Authority's Board.

Board approval launched an effort to meet project benchmarks by the end of 2012. Moody's assigned a Baa3 rating to the desalination project bonds, bolstered by what Project Finance

called the Water Authority's "sterling" credit rating. "Bond funds, insurance companies and investment advisers eagerly bought in," the magazine said.

On Dec. 13, the project team secured a 4.78 interest rate for the bonds, saving Water Authority ratepayers an estimated \$200 million over three decades compared to earlier projections. Financing closed on Dec. 24. Construction is now underway. The project is expected to produce up to 50 million gallons a day of desalinated water starting in 2016.

The Carlsbad Desalination Project includes a seawater desalination plant and a 10-mile, large-diameter pipeline being developed by Poseidon Resources, a private, investor-owned company that develops water and wastewater infrastructure.

The plant is being built on industrially zoned land adjacent to the Encina Power Station in Carlsbad. The pipeline will deliver water from the plant to the Water Authority's Second Aqueduct in San Marcos. The Water Authority will also make a number of improvements to its pipeline system and the Twin Oaks Valley Water Treatment Plant to integrate desalinated water.

The total cost for desalinated water, including the pipeline, is projected at \$2,014 to \$2,257 per acre-foot in 2012 dollars. While that's more costly than current water supplies, desalination is a more reliable, drought-proof supply. Water Authority projections also show seawater desalination it may be cost-competitive with imported water sources by the mid-2020s.

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*The San Diego County Water Authority is a public agency serving the San Diego region as a wholesale supplier of water from the Colorado River and Northern California. The Water Authority works through its 24 member agencies to provide a safe, reliable water supply to support the region's \$188 billion economy and the quality of life of 3.1 million residents.*

## **Carlsbad Desalination Project**

- **Total capital cost:** \$1.003 billion (includes plant, pipeline, financing costs and Water Authority system modifications)
- **Bond interest rate:** 4.78 percent
- **Developer:** Poseidon Resources
- **Construction contractors:** Kiewit Infrastructure West and J.F. Shea Construction Inc.
- **Water deliveries:** Expected to begin in 2016
- **Production:** 48,000 to 56,000 acre-feet/year

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