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# WATER: Poseidon seeks additional $50 million for desal bonds

Bond limit raised to $550 million

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CARLSBAD ---- Poseidon Resources said it is asking a state agency for an additional $50 million in bonds to finance construction of its proposed seawater desalination plant, raising the amount sought from $480 million to $530 million.

The actual limit has been raised to $550 million, according to the California Debt Limit Allocation Committee. The committee decides which projects get the tax-free Private Activity Bonds, up to the limit the Internal Revenue Service allows for the state.

However, Scott Maloni, a Poseidon vice-president, said the Stamford, Conn.-based company only will ask for $530 million of the possible $550 million. The increase from $480 million reflects updated estimates of bond insurance, required reserves, construction costs and interest, he said.

The request is scheduled to be heard this month.

Poseidon's request hasn't been officially received, but is expected soon, said Joe DeAnda, a spokesman for State Treasurer Bill Lockyer, chairman of the committee.

After six years of public hearings and lawsuits from opponents, construction is scheduled to begin on the desalination plant this month. The plant is to be built next to the Encina Power Station in coastal Carlsbad. It would have a capacity to make 50 million gallons of potable water a day, about 9 percent of the water consumed in San Diego County.

Supporters say the plant supplies a needed new supply for water-starved San Diego County. Opponents say water can be supplied more cheaply by recycling, and that the desalination plant's location means it will cause great harm to the coastal environment.

State revenue bonds are tax-exempt, which typically allows them to sell for a lower interest rate than for taxable bonds. This lowers the cost for those repaying the bonds; in this case, the local water agencies the desalination plant will serve.

Poseidon has an unusual opportunity for CDLAC financing, because of lower demand from the housing sector, which typically gets more than 80 percent of the money, Maloni said. Lowering the financing costs will reduce the price charged to customers, he said.

Opponents of the desalination project said the bonds are a bad investment, because the desalination project has a high risk of failure, and because relatively few jobs will be created.

"Bonds like that are meant to encourage community development and jobs," said Renee Maas, a spokeswoman for Los Angeles-based Food & Water Watch. But the Poseidon project only will create 18 permanent full-time jobs, she said.

Poseidon says that in addition to those 18 employees, several hundred jobs will be created indirectly. And Maloni said the Private Activity Bonds help ratepayers by lower the cost of financing. For example, the less the project costs, the faster a subsidy promised by Metropolitan Water District, Southern California's main water wholesaler, can be ended.

The cities of Carlsbad and Oceanside and seven local water agencies have contracted to buy water from the plant. The agencies are: Valley Center Municipal Water District; Rincon del Diablo Municipal Water District; Sweetwater Authority; Rainbow Municipal Water District; Vallecitos Water District; Santa Fe Irrigation District; and the Olivenhain Municipal Water District.

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