



Claude “Bud” Lewis Carlsbad Desalination Plant

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Positive Operating Performance Boosts Desal Plant Bond Rating

Facility ownership transfer approved by Water Authority Board; Poseidon to continue plant management

Carlsbad, Calif. (October 24, 2019) – Bonds from the Carlsbad Desalination Plant and pipeline were upgraded to BBB and given a stable outlook in a new report from Fitch Ratings, affirming the project’s sound management and its ability to provide a stable, reliable source of drinking water to the San Diego region. As the largest, most technologically advanced and energy-efficient plant of its kind in the nation, the Claude “Bud” Lewis Carlsbad Desalination Plant’s stability stems from an effective collaboration between Poseidon Water and the San Diego County Water Authority.

That partnership will continue under a transfer of ownership from Orion Water Partners to Aberdeen Standard Investments approved Thursday by the Water Authority’s Board of Directors. The transfer – made public in June – will not alter day-to-day operations at the Carlsbad facility or create a fiscal impact to the Water Authority.

The plant will remain governed by terms of the 2012 Water Purchase Agreement between Poseidon Water and the Water Authority. That 30-year agreement requires Poseidon to obtain the Water Authority’s written consent of the transaction and to reimburse the Water Authority for its costs related to consideration of the consent request. Under the WPA, the Water Authority agreed to purchase between 48,000 acre-feet and 56,000 acre-feet of water from the desalination plant each year at a price established by the contract. At the end of the 30-year term the Water Authority can assume facility ownership for \$1.

“We are honored that maintaining Poseidon Water as the facility manager was integral to the Water Authority’s approval of the ownership transfer and by the Water Authority’s acknowledgement of our exemplary stewardship of this valuable resource,” said Carlos Riva, CEO of Poseidon Water. “We look forward to working alongside our new partners to continue providing the San Diego region with a climate-resilient drinking water supply and ensuring the plant continues its strong operations.”

Water Authority Board Chair Jim Madaffer said the desalination plant is a valuable asset that provides high-quality water, a hedge against drought and insurance against earthquakes that could disrupt imported water deliveries. “With more than 50 billion gallons of water produced and counting, the Carlsbad plant is a critical part of our region’s infrastructure – and we don’t expect the sale to change that in any way,” he said. “In fact, we anticipate many more years of productive partnering with Poseidon.”

The Carlsbad Desalination Plant has met approximately 10% of the San Diego region’s water needs. The planned construction of new, technologically advanced and environmentally sensitive intake and discharge facilities will further enhance operations.

Plant partners also praised the improved ratings for the desal plant and the associated pipeline by Fitch Ratings, which upgraded bonds from BBB- to BBB based on the plant’s strong operational record, updated financing projections for capital improvements, and Fitch’s expectation that the positive trend in financial and operational performance will continue. Also, this week Moody’s affirmed its Baa3 rating for the plant and pipeline bonds. When those bonds are refinanced, higher ratings are expected to save ratepayers money by lowering the interest rate paid on the debt.

Since its inception as a public-private partnership, the Carlsbad facility has received numerous national and international awards (www.carlsbaddesal.com/uploads/1/0/0/4/100463770/carlsbad_awards.pdf). The P3 approach allowed the Water Authority to develop new, capital-intensive, public-serving infrastructure without incurring debt or negatively affecting bond ratings, a fact recognized in 2016 when S&P raised the Water Authority’s credit rating to AAA citing, in part, the successful delivery of the Carlsbad facility.

For more information, go to the plant website, carlsbaddesal.com, or to the Water Authority’s website, sdcwa.org.

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The San Diego County Water Authority sustains a \$231 billion regional economy and the quality of life for 3.3 million residents through a multi-decade water supply diversification plan, major infrastructure investments and forward-thinking policies that promote fiscal and environmental responsibility. A public agency created in 1944, the Water Authority delivers wholesale water supplies to 24 retail water providers, including cities, special districts and a military base.

Poseidon Water is a private company that partners with public agencies to deliver water infrastructure projects. The company’s primary focus is developing large-scale reverse osmosis seawater desalination plants implemented through innovative public-private partnerships in which private enterprise assumes the developmental and financial risks. For more information on Poseidon’s Carlsbad Desalination Plant, visit the plant website at www.carlsbaddesal.com. For more information on Poseidon’s Huntington Beach desalination plant, visit the project website at HBfreshwater.com.