

Item W4a
Recommended Revised Findings for Coastal Development
Permit E-06-013
Poseidon Resources (Channelside), LLC

ATTACHMENT 1:
November 15, 2007 Hearing Transcript
(Note: attached transcript includes Commission
deliberations only)

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1 CA Coastal Commission
11/15/07
2 Poseidon Resources Channelside

3 * * * * *

4 (Commission deliberation only)

5 CHAIR KRUER: Thank you, sir.
6 At this time, I will close the public hearing.
7 I'll go back to staff for staff response.

8 EXECUTIVE DIRECTOR DOUGLAS: Mr. Chairman, let me
9 turn it over to Tom, and then Susan and I, and I think Hope
10 will have a couple of comments, as well.

11 CHAIR KRUER: Okay.

12 STAFF ENVIRONMENTAL SCIENTIST LUSTER: Thank you,
13 Mr. Chair and Commission.

14 I'll start with a key point, just to reemphasize.
15 Staff is not recommending the Commission vote against
16 desalination, just that you deny this particular project as
17 proposed. Staff believes another version of this project, or
18 other desalination projects, would be able to provide needed
19 water and meet Coastal Act requirements.

20 I'll address some of the issues that you heard
21 about in comments today. Regarding entrainment, staff's main
22 issue is that we have not yet seen the entrainment study.
23 Poseidon provided a 7-page memo, 2 different sets of
24 protocols, and a letter addressing some concerns raised by
25 the Regional Board, but it did not provide the study.

In the recent entrainment studies done for power
plant projects, staff was involved in reviewing proposed
protocols, evaluating partial and full sampling results,
assessing the modeling approaches used, and interpreting the
proposed study results.

For this proposed project, staff has no idea how
Poseidon conducted the study, and how it arrived at its
reported results. As a result, we cannot evaluate whether
Poseidon's stated 37-acre impact is accurate, or whether
their proposed mitigation measures would be adequate.

Regarding mitigation, last month Poseidon provided
a brief document describing several possible mitigation
options, including a 28-acre wetland mitigation option at San
Dieguito Lagoon. Today, Poseidon stated that it plans to
provide about 41 acres of mitigation wetlands at an already
approved site at San Dieguito Lagoon, and included in its
presentation a 1-page site plan of that area.

Staff notes that these proposed sites have not yet
been approved as mitigation sites, neither proposal included
standard elements that the Commission normally requires as
part of its approval of a mitigation plan, such as

1 performance standards, monitoring measures, and contingency
2 plans. Therefore, staff doesn't have the level of detail
3 that the Commission normally requires for mitigation.

4 I am going to turn it over, briefly, to Deputy
5 Director Hansch who will provide some more details on that
6 issue.

7 **CHAIR KRUER:** Okay.

8 **DEPUTY DIRECTOR HANSCH:** Thank you, Commissioners.

9 As you know, I have been involved in the San
10 Dieguito restoration project for years, because it is part of
11 the Southern California Edison mitigation program, and I just
12 want to set the record, remind the Commission of the history
13 of what the Commission did.

14 The San Dieguito mitigation program was mitigation
15 for entrainment and impingement impacts at the San Onofre
16 Nuclear Generating Station, and the Commission imposed those
17 mitigation requirements at San Dieguito, and included
18 performance standards.

19 When the Commission looked at the whole San
20 Dieguito Restoration Project, and approved it in October --
21 the focus of that permit is October 2005 -- when the actual
22 permit was approved, that was for the restoration required
23 for San Onofre, itself. The Commission did look at the
24 broader restoration of the San Dieguito area, and there is
25 additional acreage there available for restoration, but the
specifics of it are not laid out enough that you could
authorize that without a separate permit for that
restoration. But, it looks like there is some available
acreage there.

And, the other point I wanted to make, is that it
looks like the applicant is talking about having just the
Regional Water Quality Control Board approve the mitigation
program, and this Commission has consistently approved,
reviewed mitigation programs, as part of the Coastal
Development Permit conditions.

STAFF ENVIRONMENTAL SCIENTIST LUSTER: Thank you.

A few more comments, regarding sedimentation, and
the beneficial uses of Aqua Hedionda.

Staff is not suggesting that the lagoon will or
should go back to pre-1950 conditions. The power plant owner
has confirmed that they will continue to maintain the lagoon,
or will allow qualified third parties, such as those involved
in other nearby lagoon maintenance projects, to perform the
needed maintenance.

Earlier today, Poseidon referred to the sediment
volumes noted in staff's recommended findings, and said there
was an error in staff's conclusion; however, much of staff's
analysis was based on the figures provided in Poseidon's
studies that showed a substantial reduction in sedimentation
within the lagoon, both within the outer basin, which is now

1 subject to regular dredging, and its associated impacts, and
2 within the inner basin, which is identified as impaired due
to excess sedimentation.

3 In that regard, Poseidon's studies are supported
4 by the analysis provided by the State Lands Commission in its
environmental review from 2 years ago.

5 Regarding the designated impairment of the
6 6.8-acre area of the inner basin, Poseidon contends that its
use of the estuarine intake would not be subject to measures
needed to remove that impairment.

7 That is, the TMDL process that the Regional Board
8 must complete before approving projects that would cause
additional sedimentation; however, a TMDL is a watershed-
9 based approach to restoring a water body to health. The
10 needed TMDL is not likely to just include measures within
that 6.8-acre area that will likely require water-body wide
measures, including those necessary to reduce the amount of
sedimentation in the outer basin that results in increased
sedimentation in the inner basin.

11 Overall, regarding sedimentation, and Aqua
12 Hedionda's beneficial uses, staff's conclusion is that the
lagoon's beneficial uses could be maintained with no intake
13 in the lagoon, with a much reduced dredging regime at the
mouth of the lagoon.

14 Regarding alternative intakes, as the basis for
its alternatives description today, Poseidon stated that an
15 offshore intake would cause greater adverse impacts than the
estuarine intake. It then showed an offshore intake that
16 would be located in a kelp bed. Staff completely agrees with
Poseidon that an intake in a kelp bed is a bad idea. We note
17 that there is a large offshore area to the north of this
location, that other Poseidon reports describe as several
hundred acres of featureless sandy bottom habitat.

18 Again, staff doesn't have an entrainment study
from that area, but at the very least, those areas generally
19 have a much lower density of organisms than an estuary.
Further, Poseidon's contentions suggests that its other
20 proposed project, which would use an offshore intake at
Huntington Beach, would create unacceptable impacts.

21 Regarding the EIR, in relation to the issues I
22 have just mentioned, staff notes that the EIR's limited
review of the stand-alone facility assumed that such a
23 facility was speculative, and only looked at a small part of
the entrainment issues. The EIR did not evaluate the
implications a stand-alone facility might have on lagoon
24 sedimentation, alternative intakes, and other issues.

25 Further, just to provide a partial time line, the
EIR was certified in June 2006, and in September 2006, the
Regional Board issued its provisional NPDES permit, that
required Poseidon to come up with the flow minimization plan,

1 and potential mitigation plan.

2 Regarding the issues around the water transfer
3 offsets, Poseidon contends the water it produces will reduce
4 the amount of water imported to the San Diego region.
5 Although, there are mechanisms available, such as assigning
6 instream water rights that would allow such a 1:1 trade off,
7 Poseidon has not presented any evidence that its project
8 would be subject to those mechanisms.

9 Further, the San Diego Water Authority is
10 continuing to seek additional imported water supplies.
11 Recent announcements have identified the authority's efforts
12 to obtain additional water from farm interests in the central
13 valley, and from the Imperial Irrigation District, near the
14 Colorado River.

15 Regarding greenhouse gas emissions, staff commends
16 Poseidon for its intent to become carbon neutral; however,
17 given our concerns for their proposal, we do not yet have the
18 information needed to identify how or whether that will
19 occur.

20 Our first concern is that Poseidon's proposed
21 baseline of about 546 pounds of carbon dioxide emission per
22 megawatt hour is well below credible figures from other
23 sources, including the baseline figure used by the California
24 Climate Action Register, which Poseidon cites as its source.

25 That baseline figure appears to be based on a math
error, or an error in reporting. Other figures from the San
Diego Gas and Electric Company identifies its baseline figure
as from about 800 to 1100 pounds per megawatt hour. Based on
SDG&E identified portfolio, and after consultation with staff
from the State Lands Commission, and the Energy Commission,
your staff believes that a baseline figure of no less than
800 pounds would provide a credible baseline for Poseidon's
plan. We note, too, that the State Lands Commission's staff
used an even higher figure at Poseidon's hearing before that
Commission two weeks ago.

Poseidon's plan also relies on getting credit for
foregone water imports, and as I noted just a moment ago,
there is no mechanism in place that would result in that type
of tradeoff.

Staff is also concerned that Poseidon's plan
consist, primarily, of a list of measures that could be done.
For example, its plan states that Poseidon could install
various types of equipment, and that it is exploring various
options to offset emissions.

To sum up these comments, again, staff is not
recommending you deny desalination. We are recommending only
that you deny the Coastal Development Permit for this
particular project as proposed. The applicant has not yet
provided information needed to assess important aspects of
the project, and has not yet provided the level of certainty

1 that the Commission generally requires to address the
 2 project's significant adverse impacts. Absent that
 information, it is not possible for staff to recommend
 approval.

3 We believe this proposal, if modified, or another
 4 facility could provide a desalinated water supply to the
 area, and meet Coastal Act requirements; however, as
 5 currently proposed, this project creates significant
 non-conformity to numerous Coastal Act policies, which
 results in staff's recommendation of denial.

6 With that, I'll turn it over to Executive Director
 Douglas.

7 **EXECUTIVE DIRECTOR DOUGLAS:** Yes, Mr. Chairman,
 8 again, I am not going to go over what Tom just said, but the
 fundamental flaw here, in our view, is lack of information,
 9 certainly lack of information relative to significant impacts
 from entrainment of this project, when the power plant stops
 its once-through cooling.

10 And, the mitigation that you have heard about,
 simply does not, in our view, meet the standard or the test
 11 that this Commission needs to meet in order to make the
 decision, if you are inclined to approve this, knowing what
 12 the impacts are, the extent of the impacts, and what the
 appropriate mitigation should be.

13 The precedent that would be set by approving the
 most environmentally destructive method for desalination is
 14 significant, and should be of significant concern to this
 Commission. There are many parties out there that are
 15 watching this Commission's action on this particular matter,
 and I think that is of major concern.

16 And, as Tom indicated, the suggestions relative to
 greenhouse gas reductions that Poseidon has presented, they
 17 are good ideas there. There are some good components, but
 from our perspective those are not components, from the way
 18 we view it at this point, that are specific enough for us to
 be able to make an assessment that there is an appropriate
 19 level of reduction and mitigation for the greenhouse gasses
 that will be emitted, as the result of this project.

20 So, we commend them for taking that initiative,
 but it doesn't have the degree of specificity that I think
 21 this Commission requires to make the findings necessary under
 the law.

22 The last item is the issue that was raised
 relative to indemnification. The representation by
 23 Poseidon's attorney that the Commission doesn't have the
 authority to require that, I would just ask Hope to comment
 24 on that issue.

25 **CHAIR KRUEER:** Ms. Schmeltzer.

CHIEF COUNSEL SCHMELTZER: Through the Chair,
 thank you.

1 We believe that the plain language of the Coastal
2 Act under Section 30620, and Regulation Section 13055, does
3 allow the Commission to seek reimbursement of expenses, which
4 includes attorney fees. This was presented to you in much
5 more detail at a presentation at the June meeting, so I will
6 refer you back to that, but attorney fees do fit the
7 statutory and regulatory discussion of reimbursement of
8 expenses, which are specifically provided for.

9 **EXECUTIVE DIRECTOR DOUGLAS:** And, again, you will
10 recall that there was discussion about when it was
11 appropriate to use that particular condition of approval, and
12 we -- and you -- made the decision that you were not going to
13 use that in the case of single family homes, but in other
14 projects, especially when there is the question of potential
15 litigation, it certainly seems to us that it is highly
16 appropriate, and in fact, you have had applicants come in
17 here and suggest that themselves, such as the Malibu Farms
18 project did.

19 So, in terms of the Commission not having the
20 authority to do that, that is simply not correct.

21 With that, Mr. Chairman, we are prepared to answer
22 any questions you may have.

23 **CHAIR KRUER:** Thank you, very much, Mr. Douglas.

24 And, with that, I will move to the Commission, and
25 I will go to Commissioner Hueso.

COMMISSIONER HUESO: I think I am ready to make a
recommendation, but I need the assistance of staff, and the
Attorney General's Office on two items that I think are still
outstanding, but get to the point of some of the concerns
raised by staff.

So, I am looking at two documents here. One is
Exhibit A, the applicant's proposed Coastal Development
Permit conditions. And, the other one is the staff's
proposed conditions for Coastal Commission potential approval
of Poseidon's project. So, these are the two documents I am
looking at, and maybe we can -- I don't know if the staff has
had an opportunity to look at the applicant's proposed
Coastal Development Permit conditions, marked as Exhibit A,
but I would like to go through them, if possible, to bring
some more clarity to some of the concerns.

I don't know if it is possible to put these on the
screen? The first one is Special Condition No. 8 of the
applicant's conditions, and Special Condition No. 8 of the
staff's recommendation. We see that the applicant has made
some modifications to staff's Special Condition No. 8 that
includes some deletions and some additions, and I, right now,
would like to just have the staff respond to the applicant's
changes to the staff's version of No. 8.

So, they added some language:

"Prior to commencement of construction, the

1 permittee shall submit to the Coastal
2 Commission evidence of the Regional Water
3 Control Board's approval of a marine life
4 mitigation plan. The marine life mitigation
5 plan shall provide for the restoration of no
6 less than 37 acres of marine wetlands. The
7 plan shall detail the specific site of
8 mitigation. The site shall be contained within
9 the San Dieguito Wetland Restoration Plan that
10 was approved by the Coastal Commission
11 October 12, 2005, Coastal Development
12 Permit No. 6-04-88, and was the subject of
13 a final environmental impact that was
14 prepared and become certified by the San
15 Dieguito River Park Joint Powers Authority,
16 and the U.S. Fish and Wildlife Service, or
17 such substitute sites, or site, approved
18 by the Regional Quality Control Board,
19 no later than the commencement of commercial
20 operations of the desalination facility.
21 The permittee shall commence implementation
22 of the plan, and the executive director may
23 extend the deadline from its implementation
24 plan upon Poseidon's request and showing of
25 good cause. The plan shall include the
following..."

And, it lists staff's goals A, B, and C with some minor modifications.

Now, how is that a big departure from what staff proposed, and is that acceptable to staff, in terms of the appropriate course of action to insure that this information is provided to the Coastal Commission?

EXECUTIVE DIRECTOR DOUGLAS: Commissioner Hueso, it is not. This, basically, eliminates any role by the Commission, in terms of your responsibility to assess impacts on the biological productivity of the marine waters, as required by the *Coastal Act*, and defers any kind of mitigation relative to those impacts to whatever the Regional Board comes up with.

And, it limits it to an acreage number, that as Tom just pointed out, we have no way of knowing that that is adequate mitigation for the impacts from the entrainment that will result from this project.

And, then, it refers to the San Dieguito permit. That permit, as Ms. Hansch just pointed out, does not contemplate this kind of mitigation, so the reference here is meaningless. It is not doable. And, there is a difference, a very significant difference between the notion of prior to commencement of construction, and prior to issuance of the permit, and I would ask counsel to note the difference. So,

1 it is fundamentally, from our perspective, not only would
 2 totally wipe out, neutralize, what we had recommended, if you
 3 were going to approve this, but it also -- we don't think it
 4 is adequate at all, under the law.

5 Hope, if you could just hit the difference between
 6 prior to issuance and commencement of construction.

7 **CHIEF COUNSEL SCHMELTZER:** Sure.

8 **COMMISSIONER HUESO:** Going back to staff's
 9 recommendation -- just before you respond -- do you think the
 10 staff recommendation meets that threshold of fulfilling the
 11 Commission's responsibility and our role?

12 **EXECUTIVE DIRECTOR DOUGLAS:** Well, we prepared
 13 these, thinking that if you were going to approve this, this
 14 at a minimum would be what we think would be necessary.
 15 Whether or not it is going to be adequate to pass muster, is
 16 for you to decide, and then who knows, if it gets challenged.

17 But, if you were to go with what the staff has
 18 recommended, relative to the marine impacts, the change that
 19 I just want to make right now for the record, would be if you
 20 look at the bottom of page 3 of 8, under "B" which is shown
 21 in strikeout, if you keep our suggested conditions, we would
 22 strike, on the second line from the bottom:

23 "...within Aqua Hedionda Lagoon..."

24 **COMMISSIONER HUESO:** Where are you?

25 **EXECUTIVE DIRECTOR DOUGLAS:** I am on page 3 of 8

--

COMMISSIONER HUESO: Of your report?

EXECUTIVE DIRECTOR DOUGLAS: Right.

COMMISSIONER HUESO: Or of the applicant's?

EXECUTIVE DIRECTOR DOUGLAS: The applicant's.

COMMISSIONER HUESO: Okay, at the bottom of the
 page, okay.

EXECUTIVE DIRECTOR DOUGLAS: And, the strikeout
 language is what was in our proposed language, or suggested
 language.

So, it is the last two lines, it would just put a
 period after "wetland habitat", and strike the rest of that
 paragraph. So, that it leaves open the opportunity to have
 the mitigation at San Dieguito, but it also could be at Aqua
 Hedionda.

COMMISSIONER HUESO: Okay.

EXECUTIVE DIRECTOR DOUGLAS: So, that is the only
 thing we could change.

COMMISSIONER HUESO: So, and/or. It could be
 and/or?

EXECUTIVE DIRECTOR DOUGLAS: Pardon me?

COMMISSIONER HUESO: It could be and/or. It could
 be as it is expressed, or wetland habitat, period, and
 exclude "within the Aqua Hedionda Lagoon."

EXECUTIVE DIRECTOR DOUGLAS: That's right.

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COMMISSIONER HUESO: Okay.

EXECUTIVE DIRECTOR DOUGLAS: So, that would be left open, and it could mean San Dieguito.

COMMISSIONER HUESO: I am just interested to know why the applicant might have deleted the staff's recommendation.

If you could come to the podium, and state your name for the record, and give us a response on why those conditions are unacceptable?

MR. ZBUR: The reasons why we had changed the condition were -- well, there were a number of them.

One was that this required a 2:1 mitigation ratio

--

CHAIR KRUER: Name for the record, please.

MR. ZBUR: Oh, I am sorry, Rick Zbur, with Latham and Watkins, representing the applicant.

This required a 2:1 mitigation ratio, which was different from what the staff had asked us to do initially. Our 37 acres was based upon instructions -- which I think we quoted in the presentation -- from Mr. Luster, to use the AES protocol, and that protocol resulted in a -- which we believe is very, very conservative. It is consistent with what was imposed on AES, and resulted in the 37 acres.

The staff's formulation of this, basically, leaves open what the protocol might look like. It doesn't give Poseidon any certainty, in terms of what the number looks like, and what the mitigation costs would be, and would require us to come back to the Commission, which we think is an open-ended requirement.

We point out that we believe that this is not required because the Carlsbad EIR, City EIR, found in its certified EIR, which has been stood up to litigation on a dismissal, that there were no significant marine impacts.

So, the reason why we think you can act today is because we have followed the protocol staff asked us to do. It was based upon a study, and you have additional insurance in the form of concurrence by the Regional Board -- who has primary authority over this -- and it would give certainty and allow this to move forward, and we think fully mitigates this, and not only mitigates it, but enhances the marine environment.

COMMISSIONER HUESO: And, I am just concerned -- and I want you to respond to this -- that in advocating our responsibility to the Regional Water Quality Board, saying you decide this for us, I am just concerned that we are doing that.

MR. ZBUR: Well, I think you haven't advocated it. What you are doing is you are imposing a condition that imposes a mitigation requirement on the project through this process. This becomes an enforceable mitigation measure, but

1 what it does do is it requires that the Regional Board
2 provide concurrence that, in fact, they approve the protocol.
3 **COMMISSIONER SCARBOROUGH:** A followup question on
4 that?

5 **CHAIR KRUER:** Yes.

6 **COMMISSIONER SCARBOROUGH:** So, you have done an
7 EIR?

8 [No Response]

9 Yes?

10 **MR. ZBUR:** Yes.

11 **COMMISSIONER SCARBOROUGH:** The EIR said no
12 significant impact?

13 **MR. ZBUR:** No significant marine impact.

14 **COMMISSIONER SCARBOROUGH:** Marine impact, so
15 technically you wouldn't have to do any mitigation?

16 **MR. ZBUR:** Under the CEQA process.

17 **COMMISSIONER SCARBOROUGH:** Under the CEQA process,
18 so it is the CEQA process within the EIR that is within our
19 purview, before us today, as connected to the CDP that
20 wouldn't require any mitigation?

21 **MR. ZBUR:** That is correct. I think the Coastal
22 Commission staff's -- to be fair -- position would be that
23 the Coastal Act allows you to look at whether or not all
24 measures are mitigated, and whether the marine environment is
25 enhanced, and that is why they have asked us to look at
mitigating the portion of the impact that was determined to
be less than significant. So, what this does is that it
mitigates that portion of the impact.

I do want to read from the February 20 letter,
that this was consistent with what the Coastal Commission
staff asked us to do.

Mr. Luster said:

"We recommend that the assessment protocols
be at least equivalent to those used in the
recent AES Huntington Beach entrainment..."

CHAIR KRUER: Mr. Zbur.

MR. ZBUR: ... "conducted pursuant to review
by the California Energy Commission."

CHAIR KRUER: Yes, you need to just answer the
question.

MR. ZBUR: I am sorry.

COMMISSIONER HUESO: I was just letting him.

CHAIR KRUER: Keep going Commissioner Hueso.

COMMISSIONER HUESO: Okay.

I also want to go to Item No. 10, and Item 10 of
the applicant's response, and Item 10 of the staff's
response.

EXECUTIVE DIRECTOR DOUGLAS: Okay.

COMMISSIONER HUESO: And, they added some language
there:

1 "Permittee shall submit to the Executive
 2 Director, Climate Action Plan in substantial
 3 conformance with the plan dated November
 4 2007. Within one year of the commencement
 5 of commercial operations of the desalination
 6 facility, the permittee shall implement
 7 the plan for the life of the project. Prior
 8 to commencement of commercial operations,
 9 the permittee shall provide written
 10 conformation from the California Air Resources
 11 Board that the emissions calculations contained
 12 in the plan are consistent with CARB
 13 recommended methodologies. The Executive
 14 Director may extend these deadlines for
 15 implementation of the plan upon Poseidon's
 16 request and the showing of good cause."

17 And, they erased:

18 "Commission revised minimization and green
 19 house gas reduction plan that address comments
 20 submitted by staff of the Coastal Commission,
 21 State Lands Commission, and the California Air
 22 Resources Board."

23 And, I just wanted to go over if there were any
 24 concerns from staff as to what they added and omitted?

25 **EXECUTIVE DIRECTOR DOUGLAS:** Our concerns here
 would parallel the concerns that we raised relative to the
 marine environment impacts, because it, basically, takes from
 the Commission your discretion, and your responsibility to
 determine whether or not the mitigation relative to
 greenhouse gas emissions, and carbon emissions, that have
 impacts on coastal resources, whether or not that is
 adequate, so no approval by the Coastal Commission.

This would be after-the-fact, that is after the
 commencement of the commercial operations -- whatever that is
 -- rather than prior to issuance of the permit, so that you
 are, again, deferring any potential mitigation until after
 they have started operations, and in terms of your ability to
 approve a project under the Coastal Act we just don't think
 that that in any way conforms to the requirements of the law.

It, basically, provides that you defer to what the
 Air Resources Board does, as opposed to exercising your own
 responsibility to review what is proposed, to mitigate or
 reduce greenhouse gas emissions from this project, which you
 are being asked to issue a Coastal Development Permit for.

So, it is a process. It is a delegation of
 authority and responsibility that this Commission has not
 done in the past.

COMMISSIONER HUESO: Yes, attorney general? or
 legal counsel?

CHIEF COUNSEL SCHMELTZER: Thank you, Commissioner

1 Hueso, I would just like to add to that, that both on Special
2 Condition 8, which says, "Prior to commencement of
3 construction..." so in that case, the applicant is asking for
4 the mitigation to be approved after the permit is issued, so
5 that is not knowing exactly what it is until after you have
6 issued a permit.

7 In this case, for Special Condition 10, they are
8 asking for prior to the issuance of the permit, but for
9 Executive Director approval, and both of those ways of
10 setting them up are problems. Under the *Sundstrom* case,
11 administrative approval is not sufficient. The way staff has
12 set this up has them come back directly to you to make sure
13 that the Commission agrees that the impacts are sufficiently
14 mitigated prior to issuance of the permit.

15 **EXECUTIVE DIRECTOR DOUGLAS:** And, I might add,
16 too, that this Commission has, in the past, when you faced
17 similar situations, you have imposed conditions that require
18 a plan for mitigation, and even though you didn't know it at
19 the time that you approved it, at least you had the certainty
20 that that plan would come back to you for approval before you
21 issue the permit, and we think that that is the minimum
22 required by the law.

23 **COMMISSIONER HUESO:** I would like --

24 **COMMISSIONER BURKE:** Mr. Chair.

25 **COMMISSIONER HUESO:** I'm sorry.

CHAIR KRUEER: Commissioner Burke.

COMMISSIONER BURKE: Could I jump in here a
minute?

COMMISSIONER HUESO: Sure, please.

COMMISSIONER BURKE: Now, I want to make sure that
I understand correctly what we are talking about here. We
are talking about two, at least two elements, one is a carbon
neutral footprint, and the other is the water portion.

Well, when I read this, I figured that the carbon
footprint is such a complex compound issue that at South
Coast we have been studying it, now, for probably five years,
and recently we created a Blue Ribbon Panel to develop a plan
to deal with down the road carbon footprints, because my
understanding is that these guys don't create any carbon
footprint. They create carbon footprint only from the
electricity they purchase. Is that true or false?

STAFF ENVIRONMENTAL SCIENTIST LUSTER: Thank you,
Commissioner.

The analysis that staff provided was just for the
carbon from the electrical use which is not --

COMMISSIONER BURKE: Which they purchase?

STAFF ENVIRONMENTAL SCIENTIST LUSTER: Correct.

COMMISSIONER BURKE: Now, here is another thing
that bothered me about that electricity they purchased, is it
true or false that they have a contract with a utility which

1 has down-the-road carbon footprint which is less than we used
2 in our calculations of mitigation?

It is a "Yes" or "No" question.

3 **STAFF ENVIRONMENTAL SCIENTIST LUSTER:** We don't
4 know what sort of contract --

COMMISSIONER BURKE: Well, that is not what I
5 understand.

Let me ask the applicant, do you have a contract
6 within a power company that provides power with a lower
7 carbon footprint than used in this equation?

This is not a trio thing. It is a "Yes" or "No".

8 **MR. MAC LAGGAN:** Commissioner Burke, we do not
9 have a power purchase agreement. We will be taking the power
10 from our local utility, San Diego Gas and Electric, just like
11 any other customer does.

COMMISSIONER BURKE: And, their carbon footprint
12 is lower than used in this equation, true or false?

MR. MAC LAGGAN: Today, it is -- we are using
13 their carbon footprint, as provided to the Climate Action
14 Registry last year, as the numbers in the plan. That number
15 will go down over time, as you --

COMMISSIONER BURKE: Well, it can't be --

MR. MAC LAGGAN: -- because they are moving toward
16 --

COMMISSIONER BURKE: -- my role and your role.

MR. ZBUR: The number that was used for San Diego
17 Gas and Electric is lower than the number that the Coastal
18 Commission's staff used in their analysis, significantly
19 lower.

COMMISSIONER BURKE: I know that. So, but I
20 didn't know that until I asked these guys to go in and meet
21 with the scientists at South Coast, because I knew it was too
22 complex for me to grasp, so I had them meet with our top
23 scientists, and have them give me a report, which said that
24 they are better than carbon neutral.

Now, we don't want to issue a report from South
25 Coast, because this is San Diego, and San Diego has an
26 excellent air quality district. But, one of the things that
27 mystified me was that I looked all through here, and I
28 couldn't find one reference -- they talk about what carbs are
29 not doing -- is the San Diego Air Quality District doing
30 anything in carbon footprinting?

Not you, them.

When you were doing your research to say that, you
31 know, they had a carbon footprint problem, did you ask the
32 local air district? It is a "Yes" or "No" question.

STAFF ENVIRONMENTAL SCIENTIST LUSTER: No, we
33 didn't confer with them.

COMMISSIONER BURKE: You didn't, okay.

Now, in our discussions earlier today of the

1 manner in which we deal with various items as it relates to
 2 budget, I would think that you would be looking for expertise
 3 that is paid for by another government agency to provide you
 4 with information -- positive or negative. I am not saying
 5 they are good guys at this moment or not, because I am still
 6 trying to figure this out, myself.

7 But, I was -- after talking with our Executive
 8 Director there, I was less than impressed with our analysis
 9 of their positions related to this carbon footprint.

10 So, if this -- and I don't know how this is going
 11 to go, either, but if this was to go, my attitude would be I
 12 am not interested in trying to learn all of the facts
 13 necessary to evaluate ongoing, because it is changing by the
 14 day, this analysis of this issue, so it would seem to me that
 15 we would want the experts in the area to handle that. It
 16 would seem to me, if we did pass this thing -- eventually
 17 tonight or whenever, if ever -- we would want the San Diego
 18 Air Quality District evaluating whether they were actually --
 19 because there is another addition to this thing.

20 They are talking about purchasing carbon credits.
 21 I wish I were 20 years younger. In Los Angeles, carbon
 22 credit trading program is currently operating at \$1.5 billion
 23 a year. It is a great business to be in. The problem is
 24 there are as many shysters in the carbon trading credit
 25 business as there are in any business you can name -- where
 there is \$1.5 billion laying around, which would lead me to
 go back to the same point. You go back to the San Diego Air
 Quality District, they know who the real guys are. They know
 if you are buying real credits, and so you let them make that
 evaluation, because we would never know that, not in a
 million years, sorry to talk so long.

COMMISSIONER HUESO: I want to make a motion, Mr.
 Chair?

CHAIR KRUER: Yes, go ahead, Commissioner.

[MOTION]

COMMISSIONER HUESO: I move that the Commission
 approve Coastal Development Permit No. E-06-013 with the
 following modifications and conditions.

From the staff, conditions for Coastal Commission
 potential approval of Poseidon project, standard Condition
 Items 1, 2, 3, 4, and 5, Special Condition Items 1, 3, 4, 6,
 7, 9, 12, 13, 14, 15, 16.

From the applicant's proposed Coastal Development
 Conditions, Special Condition Items 2, 5, 11, 17, 8, and 10.
 And, I recommend a "Yes" vote.

COMMISSIONER BURKE: I'll "second" it.

EXECUTIVE DIRECTOR DOUGLAS: Mr. Chairman.

CHAIR KRUER: Yes, okay.

EXECUTIVE DIRECTOR DOUGLAS: Can we ask you to go
 through those again, because he read through them so fast

1 that we couldn't keep up.

2 **COMMISSIONER HUESO:** Standard Condition Items from
the staff's conditions for Commission potential approval of
3 Poseidon project, Standard Condition Items 1, 2, 3, 4, and 5.
So, the first five, 1, 2, 3, 4, and 5.

4 Of the Special Condition Items 1, 3, 4, 6, 7, --

5 **EXECUTIVE DIRECTOR DOUGLAS:** Slow down, please.

6 **COMMISSIONER HUESO:** 1, 3, 4, 6, 7, 9, 12, 13, 14,
15, 16.

7 From the applicant's proposed Coastal Development
8 Conditions, Special Condition Items 2, 5, 8, 10, 11, and 17.

9 **CHAIR KRUEER:** Okay, that is your motion, and you
10 have a "second" by Commissioner Burke.

11 Is that right, Commissioner Burke, did you
12 "second" that?

13 **COMMISSIONER BURKE:** Yes.

14 **CHAIR KRUEER:** Thank you, sir.

15 Okay, would you like to speak to your motion now?

16 **COMMISSIONER HUESO:** Sure, and my speaking to the
17 motion, I would like to ask a question of the applicant, just
18 for clarification. I heard it all, but I would like to get
19 it back on the record with some more clarity and some more
20 detail.

21 You mentioned reforestation, as one of the efforts
22 to combat carbon emissions, what percentage of your -- can
23 you speak to your budget for fighting carbon emissions, your
24 program, and what percentage are you willing to apply to
25 reforestation, and are you willing to front load your
reforestation efforts, as a priority of your plan?

26 **MR. WINROW:** Mr. Chairman, Commissioners, my name
is Walter Winrow. I am the president of Poseidon Resources.

27 With respect to your question, Commissioner Hueso,
28 our Climate Action Plan, that element that relates to offset
29 projects represents about \$5 million, so over the course of
the 30-year life of the project, and we would be prepared to
dedicate 10 percent of that, or \$500,000.00 a half-a-million
dollars to reforestation.

30 And, furthermore, we would be prepared to have
those expenditures to be the first ones that are expended of
that \$5 million budget.

31 **COMMISSIONER HUESO:** Okay, thank you, very much.

32 As far as my comments, first of all, I have been
33 very, very impressed by all of the members of the public that
34 have come today to speak, and I first of all would like to
35 offer my sincere thanks to NOAA, Coast Keeper, Surfrider,
Coastal Law Enforcement Action Network group, and many others
for their active participation in this project. Public
scrutiny is a very vital part of insuring that the
characteristics, services, impacts, every project has in our
community are dealt with.

1 There is no doubt that the efforts of these groups
2 have contributed greatly to this project, so I, personally,
3 want to thank Marco Gonzalez, who came and spoke here very
4 eloquently, and his excellent and enlightening presentation
5 was very, very well done. There is no doubt in my mind that
6 he is probably one of the best with what he does in his
7 profession.

8 I also want to thank all of the staff for their
9 excellent work, excellent work on this project, and for their
10 recommendations. I think without their work, we would really
11 be deprived of a very, very important debate that needs to
12 take place. And, I think they have taken a lot of criticism
13 for what they have done, and they don't deserve that, because
14 I really believe that this staff is very, very passionate
15 about protecting our coastal resources, and they do their job
16 with that in mind, and their contributions are very, very
17 vital to the discussions, have gone a long way to helping
18 protect the coast, and that is something that I really
19 believe, that they care passionately and deeply about coastal
20 resources, and for that they deserve praise and not scorn.
21 So, I wanted to thank them for that. That is not to say that
22 they are always right, but they do care deeply about the
23 coast, and for that, again, they deserve praise.

24 I also want to thank my staff member, if he is
25 still here, Alonzo Gonzalez, who has been out there working
very, very hard for half a year on this project. We have
gone through a lot of information and he has really helped me
be at multiple locations through his presence, to gather
facts for this project, and I think he has really done a
great job in helping me balance the benefits and detriments
of this project, as they apply to our coastline.

 I also want to thank the City of Carlsbad for
contributing their coastline, and taking a very proactive
approach to finding a solution to a very important problem.
And, they have really taken a leadership issue on a very
important issue, and they should be commended for that.

 And, I think they represent their coastline, they
live there, and they play there, and what they have to say on
the subject is very important, in terms of the impacts to the
coastal resources.

 I want to provide some background information that
might not be relevant to the Coastal Act, but I think it
provides kind of a frame of mind. We did have a lot of
people to speak on issues across the state, economics, and
other issues that are very important to everybody, but
probably don't relate as much to the Coastal Act, and we are
really here to enforce the Coastal Act, and that is something
that most everybody doesn't, I don't think, from the comments
I heard, I don't think people really understood that.

 Our decision on this project really comes down to

1 whether this project is consistent with the Coastal Act, and
2 I would like to present some, maybe some information that
3 might not seem relevant at first, but I think I am going to
4 wrap it up into a point that is going to come down to the
5 Coastal Act, and it has to do a lot with our region.

6 San Diego is being a very, very large metropolitan
7 area, 21st in our country as a metropolitan area, and home to
8 3 million residents, if you include Tijuana, that also relies
9 on some of our resources, that is 5 million people that we
10 are trying to provide water and sewage treatment.

11 The city I represent, the city council, takes in
12 1.3 million of those residents, so we are talking about a lot
13 of people that rely on water.

14 San Diego's climate is semi-arid, and snow and ice
15 are virtually nonexistent in the winter time, making water
16 resources scarce and unreliably locally, so it is hard for us
17 to produce water locally. The famed Santa Ana winds that
18 many of you have come to know, affect our region yearly, and
19 have had a devastating effect on our water resources, by
20 reducing humidity rates to dangerously low levels that affect
21 our water availability, and contribute to fires, such as the
22 fire storm that we recently witnessed that had a devastating
23 effect on homes, and the environment throughout the county,
24 and that does effect the coast, because after rainstorms, a
25 lot of this ash, and a lot of this material comes into our
ocean, and it does effect water quality.

Much of the wildlife and plant life was destroyed,
so a project like this will provide an additional burden on
water quality, and -- or might provide. And, with some of
the comments that Chairman Burke made, it does present some
questions as to whether this project will provide impacts.

But, I think, in going to the extent of reforest-
ation that will help combat carbon emissions, whether this
project creates them or not.

And, one thing we have to note, with the ongoing
climate changes, some of this environmental habitat may not
regenerate, so in assisting it, we will go a long way in
helping to improve air quality.

I just want to also mention the largest sectors of
San Diego's economy is defense, which boosts the largest
naval fleet in the world, largest ship building yards in the
United States, and manufacturing tourism, which is important
to the country. We also have biotechnology companies, and
pharmaceuticals that rely on consistent water supplies to
function cost effectively.

San Diego ranks among the top biotech clusters in
the United States, and due to the large military presence,
which is responsible in providing the bulk of security to the
western United States and the Pacific, San Diego is home to
national defense contractors, such as General Tomics and

1 Science Applications International Corporation that relies on
2 a consistent water supply availability.

3 As the sixth largest city in the country, with
4 many of the country's vital defense and manufacturing
5 resources, it is obvious that in keeping San Diego
6 economically healthy is vital to our entire country.

7 In addition, protecting prosperity in our city
8 will be essential to our ability to generate revenues,
9 resources, and awareness to continue to improve our
10 coastline.

11 We have important manufacturers like Calco, and
12 ISP Algaenics that export food products derived from kelp,
13 that are threatening to relocate to other areas with a more
14 reliable water source. What then? we will lose quality jobs,
15 and very important stewardship of our kelp beds at risk to
16 our coastal resources.

17 San Diego is also plagued by very high housing
18 costs that may have hurt our economy and our ability to
19 provide affordable housing to our work force. In May, 2007 a
20 median house in San Diego cost \$612,370.00 which is among the
21 highest in the country, forcing the city council to take
22 controversial far reaching efforts to increase affordable
23 housing in the city by inclusionary housing policies, density
24 bonuses, and huge subsidies to make sure our fragile economy
25 is protected.

Population is increasing naturally. If we do not
receive any new migration to our city, which is unlikely, and
unreasonable, our population will grow simply from our own
resident growth, and as the parent of four kids, I am
contributing to that.

Another important point, on August 31, 2007 U.S.
District Court Judge Oliver W. Wanger, announced a series of
severe restrictions on the operations of the massive pumps
that supply water from the California Bay, Sacramento, San
Joaquin Delta -- also known as the Bay Delta -- to two-thirds
of all Californians, including 3 million San Diego County
residents, water supplied or diverted to non-users by way of
the Central Valley Project, and the State Water Project.
San Diegans get their Bay Delta water from the cities water
departments by way of arrangements with San Diego County
Water Authority, who obtains this water from the Metropolitan
Water District as supplied by the water project.

Judge Wanger's ruling is the consequence of years
of significant water use impacts on threatened species, the
delta smelt. And, a recent proposed plan to increase water
usage, evaluating considered in the long term Central Valley
Project, and State Project operations criteria plan.

Judge Wanger found that the delta smelt was
indisputably in jeopardy as to survival due to the massive
water movement throughout the state to satisfy our state's

1 need for water.

2 San Diegans may be severely impacted by this
3 recent court ruling, because the bay delta provides more than
4 one-third of all water used in San Diego County. Last year,
5 41 percent of all water used in San Diego County was imported
6 from the Bay Delta, and I understand that it is not this
7 Coastal Commission's responsibility to protect the Bay Delta.
8 This is just a fact that shows that our water resources are
9 threatened.

6 In recognition of the county's serious water
7 deficit, and the delta smelt determination, water supply
8 impacts of this court's decision to San Diego County will be
9 significant, and supply shortages and mandatory water use
10 restrictions are a very real possibility. This decision
11 comes on the heels of historic dry conditions we are
12 experiencing throughout California, which are already
13 impacting water supplies.

10 The Metropolitan Water District of Southern
11 California has already been withdrawing water from storage
12 reserves to meet demands this year, in advance of potentially
13 worse drought in the foreseeable future.

12 Regard to this project's inducing growth, which we
13 heard, the delta smelt decision is already impacting our
14 current residents, commerce and industry, much less the
15 buildout of our current community plans, which have already
16 been approved, and in essence allow people to build at what
17 our plans allow. So, even if we build what is already
18 legally allowed, it would be too much in the wake of this
19 decision, which puts our city in a very difficult position.

16 This decision casts a pall over the future of our
17 water resources, and as an example of the real possibility of
18 losing vital resources of water for our region. We have no
19 guarantee that we will be able to continue to rely on our
20 current water sources, and it is bad public policy to lead a
21 state with the world's sixth largest economy, by making
22 uncalculated assumptions.

20 Two weeks ago our city council approved a water
21 plan that included water reuse, increased conservation, and
22 is moving to identify water aquifer locations throughout our
23 city, in strategic locations, and other methods to save
24 water. Despite all of these efforts to increase water
25 supplies, our biggest efforts will revolve around water
26 conservation. We have made big gains in our city to reduce
27 our dependency on water due to conservation.

23 Although our mayor just vetoed the water reuse
24 aspect of our strategy, or the water reclamation part of it,
25 it is unlikely, even if he had not vetoed it, that we would
26 be able to make any short term meaningful gains in water
27 reclamation, due to the enormous costs of introducing the
28 system to our city, in an environment where water costs are

1 among the highest in our country.

2 Introducing reclamation at the cost of billions of
3 dollars would impose undue financial hardship on our
4 residents and our economy. Our mayor and council are jointly
5 committed to expand our reclaimed water for irrigation
6 through a purple pipe network that will help us reduce our
7 reliance on outside water sources. Purple pipe will not
8 satisfy our needs for drinking water, and I do believe that
9 desal will.

10 Now, getting to the points of this project that I
11 think are consistent with the Coastal Act, I think the
12 Coastal Act endeavors to protect marine biology and coastal
13 resources, and also endeavors to protect people, the primary
14 users of the ocean and the coastal coast line. The project
15 will advance the goals of the Coastal Act to maintain,
16 restore and enhance public access, and recreation, and
17 maintain, restore and enhance marine environment through the
18 dedication of more than 15 acres of lagoon and ocean front
19 land for public purposes.

20 It is true that there are impacts, but they are
21 offset by the benefits, by the huge efforts to assist those
22 impacted endangered species.

23 I mentioned that our region is facing numerous
24 issues that deal with water treatment and purification,
25 sewage treatment. It pushes financial thresholds that are
creating a heavy burden on ratepayers and taxpayers.

The alternatives before us that include portable
reuse are extremely costly, and while we did hear from people
asking that we should push portable reuse, they didn't talk
about the fact that portable reuse also contributes to poor
air quality, in fact, this method of water reuse is more
energy intensive than desalination.

Retooling our current water conveyance resource
would cost taxpayers and ratepayers billions of dollars and
would take decades to implement. Denying our reliable water
supply, without having to invest in this costly infra-
structure is responsible good public policy.

We, as Commissioners, need to keep the public
trust and demonstrate that the Coastal Act is designed to
help the public, and not to hurt them.

One of the weaknesses that was mentioned of this
project, as it being too small, and because if it is small it
makes it infeasible for the introduction of more environ-
mentally sensitive technologies, and they mentioned -- and my
response is a larger project that would be able to
incorporate some of the technologies that people requested,
would require a larger footprint, and may impinge on the
coastal view shed, in addition, a larger project would have
larger adverse effects on air quality, to a level that if
this project increased CO2 by 150,000 tons annually -- I

1 mean, I don't know if there is evidence to suggest that --
2 but what would a larger facility create?

3 So, it is kind of also an argument against a
4 larger project that could sustain this technology that would
5 help allay these fears, and I don't know that it necessarily
6 would contribute to protecting marine resources, but it would
7 definitely contribute to affecting air quality, if this
8 project is going to affect air quality, and there have been
9 some recent arguments that suggest that, and it might not be
10 so.

11 It is obvious that much of the wildlife we are
12 aiming to protect is thriving under conditions created by the
13 operation of the power plant facility, due to the dredging of
14 the salt marsh, as evident in the exhibit, we have a larger
15 body, water body, that enhances coastal access, recreation,
16 biological resources and education.

17 In addition, environmental protection efforts are
18 possible in the newly created lagoon -- or our newly expanded
19 lagoon that helps preserve and protect coastal resources.

20 The fact that water that is used for the cooling
21 of the power plant will be reused to treat to drinking
22 quality quantities, and again, there will be increases in
23 adverse effects to the marine biology.

24 Also, the concurrence from all present that subsea
25 water intake facilities are infeasible and not the way to go,
in terms of appropriate technology, is also very compelling
information, and deserves to be reemphasized.

The size of the project, and the scale -- was
something that I spoke to -- I think it is also unfair to
point to someone that is not before us. Somebody mentioned
that somebody else can maintain the lagoon. It is unfair to
say that when they are not here before us. We don't have a
contract that is here before us. We don't have an
application before us. And, that promise is only worth the
paper they are printed on, since they are really not here
before us. We have a project before us that is promising to
maintain these precious coastal resources, and I think that
that is what deserves our attention.

The HUB site along the lagoon north shore will be
dedicated for expansion of the fish hatchery, marine
research, and a public trail along the lagoon. The fishing
beach along the shore of Aqua Hedlonda Lagoon will be
dedicated for public recreation and coastal access use. The
bluff area on the west side of Carlsbad Boulevard will be
dedicated for recreation and coastal access uses. South
power plant parking area will be dedicated for public
parking.

And, also, experience with the -- well, this is,
maybe, I think we have a project before us that I think meets
the threshold, and I just want to mention, reiterate again

1 that this project meets our litmus test.

2 Another thing I want to mention, I mean, we can
3 study this to death, and sometimes those studies are not as
4 accurate as you would like, in terms of meeting perfection.
5 Perfection is very, very hard to achieve, and I don't think
6 that there is no true perfect desalination project. Too big,
7 it affects air quality. Too small and it incorporates the
8 technologies that make people less more comfortable.

9 This project is absolutely not precedent setting,
10 and should not be judged on its merits in relation to size,
11 location. It is not precedent setting, and should be judged
12 on its merits in relation to size, location, and mitigation
13 program.

14 I think, in terms of the -- I want to thank staff
15 for the conditions that were put forth. I think the ones
16 that we have satisfy the concerns regarding the project,
17 itself. I think this project is ready to proceed, and I
18 would strongly encourage a "Yes" vote to get this project
19 moving forward.

20 **CHAIR KRUER:** Thank you, Commissioner Hueso.
21 Commissioner Burke is the "seconder" of the
22 motion. Do you want to add anything at this point?

23 **COMMISSIONER BURKE:** No... [not on microphone, out
24 of hearing range]...

25 **CHAIR KRUER:** I was expecting --

COMMISSIONER BURKE: ...want to thank my colleagues
for everything...probably a world's record here in speaking
to -- in the history of the world, man.

I do have one quick one. I do have one quick one.

COMMISSIONER HUESO: You know, if I could just --
one more last thing.

COMMISSIONER BURKE: Oh, you have got one more
last thing?

COMMISSIONER HUESO: -- I want to add to the
record the applicant's proposed instructions to staff
regarding the preparation of revised findings, or Exhibit B,
because they get to some of the points that I made, and I
just would like to add a Condition 6:

"That the Commission finds that the project
is a coastal dependent industrial facility,
as it needs to be sited on or adjacent to
the sea in order to function at all..."

And, just that whole paragraph, and just the entire document
calls very much to what I am arguing in my --

CHAIR KRUER: So, that is in your motion?

COMMISSIONER HUESO: Yes.

CHAIR KRUER: Commissioner Burke, are you okay
with that?

COMMISSIONER BURKE: I'm -- in less than a minute,
I am fine with that. Need a million dollars worth of trees

1 up front, \$500,000.00 doesn't get it, \$500,000.00 worth of
 2 trees sounds like a lot of trees, not a lot of trees. I buy
 trees every year in huge quantities. My question is, are you
 prepared to do that?

3 **MR. ZBUR:** Yes, of the \$5 million number, we are
 willing to \$1 million of trees up front.

4 **COMMISSIONER BURKE:** Yes, \$5 million, \$1 million
 up front.

5 Number 2, you know there are trees that degrade
 the air quality? you know?

6 **COMMISSIONER HUESO:** Just make sure it is the ones
 that help the air quality.

7 **COMMISSIONER BURKE:** Right, well, that is what I
 am trying to get here.

8 Now, the San Diego Air District has also got an
 active tree program. I think that, if the maker of the
 motion would agree, that they should be directed to work with
 the San Diego Air Quality District in making sure that these
 trees are the appropriate trees to provide relief for the
 problem we are talking about here.

9 **COMMISSIONER HUESO:** Yes, and we also have a
 program within our city that identifies trees that --

10 **COMMISSIONER BURKE:** Well, I've heard your tree
 program is a little shaky.

11 **COMMISSIONER HUESO:** No, no, don't criticize our
 tree program. It is a great program --

12 **COMMISSIONER BURKE:** I think --

13 **COMMISSIONER HUESO:** -- as long we get trees in
 the ground --

14 **COMMISSIONER BURKE:** I think Commissioner Hueso
 has covered everything appropriately.

15 **CHAIR KRUEER:** Okay, with that, we are going to
 take a 10 minute bio-break, and we will be back to keep
 proceeding.

16 [Recess]

17 **CHAIR KRUEER:** We are ready to proceed where we
 left off.

18 Commissioner Burke has another question, and then
 we go to Commissioner Reilly, then Commissioner Neely, then
 --

19 **COMMISSIONER BURKE:** Actually, I don't have a
 question.

20 I was reminded during our break that I should have
 inserted in there, in the motion, that they are native and
 not invasive trees that are planted in this forestation
 program.

21 **CHAIR KRUEER:** Okay. Is that acceptable to you,
 too, Commissioner Hueso?

22 **COMMISSIONER HUESO:** Yes.

23 **CHAIR KRUEER:** Okay, thank you.

1 Commissioner Reilly, and thank you for your
2 patience, sir.

3 **COMMISSIONER REILLY:** Thank you, Mr. Chairman.

4 In one of my other lives, I sit as a member of the
5 board of directors of a Northern California water agency, and
6 earlier this year, in order to protect listed fish species,
7 the State Water Board ordered us to achieve a 15 percent
8 reduction in water use among our 600,000 customers.

9 Through an aggressive public outreach program we
10 were able to achieve a voluntary reduction of 19 percent in
11 our region. So, I know what it is to face the challenge of a
12 reduced domestic water supply and I commend San Diego for
13 seeking to diversify its water supply, reduce demand, and
14 lessen its reliance on imported water.

15 Fully 20 percent of all energy used in California
16 involves moving water from one location to another. Also
17 know that conservation, reuse, and desal are not mutually
18 exclusive in a comprehensive water plan.

19 Having said that, I have the task of determining
20 this project is consistent with our State Coastal Act. We do
21 rely heavily on our staff for direction and guidance in these
22 matters. With the largest desal facility ever proposed in
23 our country before us, we have a tremendous responsibility
24 to get this right. So, when our Executive Director cites a
25 lack of information for full analysis, characterizes the
proposal as premature, it makes it very difficult, for me at
least, to move forward in approving this project.

Receiving 200-plus pages from the applicant and
opponents on the day of the hearing doesn't help either. We
do not yet have benefit of the independent findings from
either State Lands relative to the energy issues, or Regional
Water Board relative to the marine life mitigation program,
and there are other aspects of the project that require
greater clarity in my mind.

Commissioner Hueso's motion is not one that I can
support. Staff --

[Audience Reaction]

Please, don't do that.

Staff put specific provisions in there to try to
legalize an approval prior to having adequate information on
either the marine life mitigation program, or the energy
minimization, and greenhouse gas reduction plan. Those
provisions, in my mind, were put in there in order to avoid a
Sundstrom violation for the Commission. In removing those
two provisions, and not having those two plans come back
before this Commission, in my opinion, Commission Hueso has
insured a Sundstrom violation, and I don't think he is doing
his applicant a favor by doing that.

I would be reluctant to vote for approval, even
with the full proposed staff conditions, in this case,

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1 because I think, before we get that other information before
2 us, and have the chance to analyze it, it really tilts the
3 balance of this Commission to approve it without having that
4 information. While I am very reluctant to vote for denial on
5 this project, because I think there is a project here, there
6 certainly is a tremendous need for it, the fact that we don't
7 have the information before us, I would certainly support a
8 continuance that would allow for time for them to provide the
9 additional information and bring it before the Commission.

10 But, I can't support the motion before us. Thank
11 you, Mr. Chair.

12 **CHAIR KRUER:** Thank you, Commissioner Reilly.
13 Commissioner Neely.

14 **VICE CHAIR NEELY:** I don't think I need to say any
15 more.

16 **CHAIR KRUER:** Okay.
17 Commissioner Wan.

18 **COMMISSIONER WAN:** I have to say that I agree with
19 you about the piles of information. This is, basically, what
20 I have received in the last few days, and I received two
21 binders like this from the applicant, two binders this size
22 from the applicant on Monday afternoon, and another one
23 yesterday. Now, I received it on Monday afternoon, Tuesday I
24 spent traveling here, and Wednesday -- as you know, we were
25 in meetings from 9:00 o'clock in the morning, until 11:00 or
11:30 last night.

I think that everybody know that, generally,
speaking I read everything. It is not possible for me to
read this in any depth, because of the lateness of the sub-
mission.

Let me say that I also recognize the need for
desal as a part of a water portfolio for an area. But, this
plant is not designed and sized to minimize its impacts on
coastal resources. And, they could be minimized so that this
project could be approved, but frankly, this project, as it
is proposed, does not pass the test, the necessary test of
30260. Is it coastal dependent, industrial facility? yes,
but that doesn't mean that they don't have to meet the test
of 30260 to minimize, among other things, their impacts.

The design of this is a major problem, and it is
one of the primary things is the use of the current power
plant's intake, rather than a subsurface intake, or other
intake which would eliminate entrainment and significantly
reduce sedimentation, and energy uses, because it would
eliminate all pre-treatment.

I am not going to deal with all of the issues, the
specific issues like sedimentation and cost, which I could go
through. But, I am going to deal with entrainment and
energy.

I am not a legal expert, and I don't know if the

1 court EPA ruling under the *Clean Water Act* applies legally to
2 this, but the impacts of this facility have got to be the
3 same. How can you say that this causes insignificant
4 impacts, but once-through cooling is so damaging it doesn't
5 pass muster on the court ruling. This is the same intake,
6 and the same results, biologically.

7 And, I might add that the *Porter Cologne Act* does
8 apply to this facility, and it requires the use of best
9 available site design technology and mitigation measures.

10 The entrainment study really bothers me. We did
11 not receive a full study, and when I have scientific studies,
12 I read them, because I want to be able to look at them and
13 analyze them. A summary, and conclusions, is not an adequate
14 study. I can't look at the protocols. I can't determine --
15 or the data to determine how it was done, and whether it was
16 appropriate.

17 And, I have to tell you that based on some of
18 their conclusions, I really do question this study. The
19 conclusion, for instance, that planktonic organisms
20 experience a high natural mortality rate -- which is true,
21 okay -- and that this is simply similar to what happens in
22 nature. Folks, this is not in place of the natural
23 mortality, it is in addition to it. Removing the equivalent
24 of the natural process, effectively, doubles the predation
25 rate.

They also state that cropping via entrainment is
beneficial, in that it allows remaining individuals to have
less competition. Any kindergartner knows this is contrary
to nature's reproductive strategy for planktonic organisms.
They require high numbers for their species to survive. They
are subject to predation. If you remove or crop them, their
low percentage of survival doesn't increase, it is just the
small percentage of a smaller number, and it is probably, in
certain species, not sufficient for the species to survive.

And, then, there is the impact along the entire
food chain when you remove the plankton, which is the bottom
of the food chain, rather than having it removed through
predation, so you have a domino effect here, and to say that
this is insignificant when all of the studies elsewhere have
determined that entrainment is not insignificant. That is
why once-through cooling power plants are being phased out.

So, this is very troubling, okay, and apparently
-- and the study was done, for example over a 6-month period,
and not over a year, that is what I understand, and that is
not adequate. You need to look at these things through their
full life cycle.

But, again, I don't have the data. I can't really
analyze it, and that lack of information means that I don't
really know -- nor does anybody else on this Commission know
whether the 37 acres or 41 acres -- whatever it is that they

1 propose as mitigation for these impacts -- is adequate. How
2 do I know that? Before I can even determine anything about
3 the mitigation plan, I need to know what the impacts are. I
4 don't have a baseline. I have no detail in their proposal --
5 not sufficient detail.

6 You have heard from staff that they can't just go
7 into the San Dieguito Lagoon and say, "Okay, well, we are
8 going to deal with this aspect of the permit." There is no
9 detail about the habitat types that they are going to be
10 dealing with, whether this is mitigation in kind, for the
11 kind of impacts caused by this facility? or what the
12 performance standards are? what the monitoring is? You can't
13 approve additional mitigations at San Dieguito without full
14 review.

15 It also relies on the approval of the plan by the
16 Water Quality Board, and I have to say this, since when is a
17 habitat mitigation measure the purview of the Water Quality
18 Board? These are not water quality standards, and it is not
19 inappropriate for them to review and approve the plan. In
20 the very least, that plan needs to come to the Commission for
21 review and approval.

22 And, to say that we don't have the authority,
23 Section 30230 of the Coastal Act states:

24 "Marine resources shall be maintained, and
25 where feasible restored, and uses shall
maintain healthy populations of all species
of marine organisms."

And, even more to the point, Section 30231 states:

"The biological productivity of coastal waters
shall be maintained through, among other means,
minimizing the adverse effects of entrainment."

Can't be more specific that this is our jurisdiction. It
says so.

Frankly, this just doesn't meet any of the tests.
You have to minimize the entrainment under Section 30260. We
don't even know what is going on, and we don't have the
information to make an informed decision.

Let's look at energy use, and skip through some,
okay? The issue here is not just the carbon footprint. The
issue is the requirement in the Coastal Act to minimize
energy usage. Under 3025 -- I think it is 3 -- Section 4, it
requires the Commission to minimize energy usage. I don't
see enough analysis, or enough information in this to know
that that is the case, and I certainly don't see enough
information, and I did read the carbon footprint part of
this, to know that these are all nice possible ways to reduce
carbon footprint, but it is a suite of possible things. It
is not specific.

And, again, I don't have enough information to
really know what that carbon footprint is, or what the energy

1 usage actually is. They ask for credits for the carbon
 2 reductions for offset of imported water, but we have no
 3 guarantee that that will occur. There are ways to make
 4 certain this is the case, but I don't believe those
 mechanisms are in place at this time, and therefore, I don't
 know how you can use that as a carbon savings, if it is not
 guaranteed.

5 There is a whole bunch of information that is,
 6 simply, not available to us, to make our decision. And,
 again, when I looked at their nice suite of possible carbon
 7 reduction things, and I go to Appendix A, and they talk about
 high efficiency ERDs, the project could install a high
 efficiency ERD. That is what it says in what they handed me
 in what I got on Monday.

8 Okay, in addition to the high energy ERD, it is
 9 likely the most cost efficient option to reduce the energy of
 the project -- I get a lot of "may", and "might", and
 "should". This is not a specific program that you can rely
 10 on. This is premature. It is not ripe for approval. I
 really wish that in this time, that you had taken the time to
 11 come in, make the changes to your project, to make it
 12 approvable, because it could be approvable with some changes
 to it, but it is just not approvable now, and one of the
 13 principal reasons is because we don't have adequate
 information to make an informed decision. And, I don't know
 how you get around that in this hearing.

14 First, you must minimize the impacts, and then you
 15 mitigate for them. We don't know what all of the impacts
 are. We certainly -- you haven't minimized them, and we
 16 don't know about the specifics of the mitigation. And, if
 you don't have an appropriate baseline, whether it is
 17 entrainment, or carbon footprint, or energy use, whatever you
 want to call it, you can't know how to mitigate it.

18 And, again, I would love to be able to approve a
 desal project that would work, but this one doesn't.

19 **CHAIR KRUER:** Commissioner Thayer, I had you down.
 Did you want to speak at this time?

20 **COMMISSIONER THAYER:** I think I will wait -- [voice
 fades out of hearing range, not on microphone]

21 **CHAIR KRUER:** Okay, Commissioner Blank.

22 **COMMISSIONER BLANK:** Thank you, Mr. Chairman.

23 While I appreciate all of the reasons presented
 why this plant is necessary for the people of San Diego, I
 think the issues facing me as a Commissioner, whether the
 24 project is in compliance with the Coastal Act Section 30230
 protection of marine resources, and 30231, biological
 productivity, which Commission Wan has covered both of those
 25 extensively, so I won't, but also 30233(a) dredging of a
 estuary, and Section 30253, energy use and greenhouse
 emissions.

1 It has been about a half century since the state
 2 embarked on infrastructure growth of this scale, in that
 3 during that time we built 20 state universities, we connected
 4 the state with 50,000 miles of highways, for water resources
 5 34 lakes and reservoirs, 25 dams, 20 pumping plants, and a
 6 state water project with 700 miles of canals and pipelines.
 7 And, now that the 2005 update of the California's state water
 8 plan is reinvesting in our water infrastructure, we are
 9 reengaging the private sector as partners in this effort, and
 10 I think this project is an example of that.

11 I, personally, think public-private partnerships
 12 could be good for everyone; however, in the U.S. only 15
 13 percent of the population buys water from privately owned
 14 utilities. I think we are about to find out the consequences
 15 of putting water -- historically thought of as part of the
 16 public trust -- into private hands for a major metropolitan
 17 area.

18 It took decades to understand the consequences of
 19 spanning the state with concrete, and building nuclear power
 20 plants on the coast, and as we found out when we deregulated
 21 electricity in California, there are risks when you put
 22 pricing for critical services onto market rules. In this
 23 case, we are going to depend on the PUC and the Regional
 24 Water Boards to manage these rules.

25 So, I support this project in concept, however,
 given what I have heard in the last hour, I am troubled by
 the applicant's and some of my fellow Commissioners'
 suggested conditions, particularly 8 and 10 in the motion
 proposed, which for those of you who know my history, kind of
 strips me, as a Commissioner, from oversight of this project,
 and I just have an issue with that.

Hopefully, after my questions -- which I am going
 to follow with this -- and some conditions I want to proposed
 I could support this proposal.

So, let me start with my first question, and this
 is for my fellow Commissioner Thayer, one of the things that
 struck me was that someone had mentioned that the applicant
 provided you with a contract with the power plant to the
 State Lands Commission, is that correct?

COMMISSIONER THAYER: That is.

COMMISSIONER BLANK: And, did the Coastal
 Commission get that same contract?

STAFF ENVIRONMENTAL SCIENTIST LUSTER: No,
 Commissioner, we didn't.

COMMISSIONER BLANK: Did we ask for it?

STAFF ENVIRONMENTAL SCIENTIST LUSTER: Yes, in
 several request letters.

COMMISSIONER BLANK: Can the applicant come up and
 explain that, please, and I understand you asked the -- just
 to make sure that I understand, you asked State Lands to sign

1 a non-disclosure because of some proprietary technology,
2 which we do all of the time for oil and gas leases, so why
wasn't that provided to our staff.

3 **MR. MAC LAGGAN:** [Inaudible]

4 **CHAIR KRUER:** Could you come speak into the
microphone.

5 **COMMISSIONER WAN:** It is not on.

6 **CHAIR KRUER:** I think it is on.

7 **MR. MAC LAGGAN:** Can you hear me?

8 **CHAIR KRUER:** No.

9 [Pause]

10 Go ahead.

11 **MR. MAC LAGGAN:** Can you hear me now?

12 **COMMISSIONER BLANK:** Yes.

13 **MR. MAC LAGGAN:** Very good.

14 **COURT REPORTER:** May I have your name for the
record, please.

15 **MR. MAC LAGGAN:** Peter MacLaggan, Poseidon
Resources.

16 We provided staff, the Coastal Commission staff, a
17 copy of the short form of the lease, which is still a pretty
18 hefty document, that shows all of the our rights to use the
19 property within the power plant, the leasehold itself, the
20 easements within power plant, and all of the aspects of that
21 lease. The effect of Coastal Act considerations are
22 contained within that document.

23 The interests of the State Lands transcended that
24 level of information. They needed information that got into
25 the business arrangements between us and the power plant,
because it effected our ability to use the state property,
specifically, the intakes, so we shared that part of the
document that was considered proprietary, with the Lands
Commission, under a confidentiality agreement.

COMMISSIONER BLANK: So, I am still confused, and
the answer is you decided that you didn't want to provided
information requested by our staff?

MR. MAC LAGGAN: We gave your staff the
information that they requested that was applicable to --

COMMISSIONER BLANK: Who made that decision,
whether it was applicable? you or them?

MR. MAC LAGGAN: We did.

COMMISSIONER BLANK: Thank you.

And, then, is the representative of the
construction team still here? or any of the contractors who
are actually going to be building the facility? Can the
applicant -- is that -- great.

MR. SHEA: Yes, sir, for the record, Andy Shea,
Accona Aqua.

COMMISSIONER BLANK: Great, can you tell me what
you learned from the desal plant in Tampa? lessons learned?

1 **MR. SHEA:** Lessons learned, lessons learned, as
2 the co-partner down there, with our partners in American
3 Water we -- as you learn the value of having an important
4 owner, Tampa Bay Water, that worked with us in overcoming
5 some significant challenges, intermediating the desal plant,
6 which had not passed its acceptance test in 2003, we came on
7 in 2004 within the partnership, and in a very short period of
8 time came out onto the site and remediated to the treatment
9 system, the RO system, and upgraded a number of errors that
10 had sufficient deficiencies that were created by the turnkey
11 contractor that was asked to leave the site.

12 **COMMISSIONER BLANK:** Was pre-treatment one of
13 those issues?

14 **MR. SHEA:** Sand filtration was an issue, that is
15 correct.

16 **COMMISSIONER BLANK:** Was it to do with the static
17 mixer, or the baffle wall?

18 **MR. SHEA:** The static mixer was not included by
19 the previous contractor. That is an item that we remediated
20 for the fair-chloride system.

21 Your other question was related to the which ball?

22 **COMMISSIONER BLANK:** Was there a baffle ball? was
23 there a baffle ball?

24 **MR. SHEA:** The baffle ball, can't help with that.

25 **COMMISSIONER BLANK:** Okay.

MR. SHEA: We did a significant rehabilitation of
the two-stage sand filtration system into a single-stage
system, and put in a diatomaceous earth polishing system.

 And, as my colleague from American Water stated,
we just passed the 15-day acceptance test in flying colors.
The normal rating of the facility is 28 million gallons. We
produced 29 million gallons on a sustained basis.

COMMISSIONER BLANK: Great, thank you.

MR. SHEA: Thank you.

COMMISSIONER BLANK: And, is the representative
from the Carlsbad Water District here? thanks.

 And, explicitly, I am not picking on you. You
just happen to be the largest purchaser, and while you are
up, let me just ask my fellow Commissioner Scarborough.

 Commissioner Scarborough, are water purchase
agreements public documents, as far as you know?

22 (Continued)
23 //
24 //
25 //

1 **COMMISSIONER SCARBOROUGH:** You are asking me? As
2 far as I know, if the district is public those documents are
3 public.

4 **COMMISSIONER BLANK:** Great, is the water purchase
5 agreement available to this Commission?

6 **MR. STONE:** Sure, upon request.

7 By the way, I am Mark Stone, general manager.

8 **CHAIR KRUER:** Yes, thank you.

9 **COMMISSIONER BLANK:** Do we have a copy of the
10 district's water purchase agreement?

11 **MR. STONE:** Yes, Poseidon provided several of the
12 --

13 **COMMISSIONER BLANK:** Good.

14 **MR. STONE:** -- we don't have all of the APFs --

15 **COMMISSIONER BLANK:** Good, and in reading your WPA
16 -- at least the part that was posted in your board minutes --
17 it assumed you received a \$250-acre subsidy, in that still
18 correct?

19 **MR. STONE:** Yes, sir.

20 **COMMISSIONER BLANK:** And, where are you in that?
21 and what is the criteria for generating that subsidy?

22 **MR. STONE:** I would probably have to defer that to
23 the county water authority, they are our member. As a member
24 agency, the county water authority, they are pursuing that
25 with the Metropolitan Water District --

COMMISSIONER BLANK: But, that is connected with
the Poseidon purchase -- or water purchase, a water purchase
contract?

 And, when I read the top level bullets of the WPA
it said if Poseidon determines the water rate set under the
pricing section of the WPA are insufficient to implement the
private seawater desal project, Poseidon may terminate the
WPA, is that still correct? or Poseidon? yes, correct?

 Where is the -- it is okay, there is no wrong
answer. I am just trying to figure this out.

 Is there a term when the district -- let's say the
price goes too high, can the district terminate the contract?

MR. STONE: You know, I am the general manager of
the water district, but I am very new to the district --

COMMISSIONER BLANK: That is okay --

MR. STONE: -- and I think --

COMMISSIONER BLANK: -- is there someone from --

MR. STONE: -- Mr. Jim Elliott, I think is --

COMMISSIONER BLANK: -- the water district who can
answer.

MR. STONE: -- more familiar than I am.

COMMISSIONER BLANK: Okay, you can tag team this
thing.

MR. ELLIOTT: Good evening, Jim Elliott, Deputy
City Manager for the City of Carlsbad.

1 **COMMISSIONER BLANK:** So the question is, can you
2 terminate the contract with Poseidon if the price goes up?

3 **MR. ELLIOTT:** Actually, our price is fixed. Our
4 price that we will pay is actually pegged at the amount we
5 would have paid to the San Diego County Water Authority for
6 that same amount of water. The price we will pay is fixed.
7 We don't have any risk in price.

8 **COMMISSIONER BLANK:** Perfect, all right, and is
9 that true --

10 **MR. ELLIOTT:** That is for all of the agencies.

11 **COMMISSIONER BLANK:** All of the agencies. All of
12 the agencies have the same contract.

13 **MR. ELLIOTT:** Perfect, thank you.

14 And, now, I'm done. Can I get a Poseidon
15 representative?

16 So, I know that this is not an outcome that most
17 executives of private companies tend to consider, but I'll
18 just ask you to fantasize on something that isn't going to
19 happen, but if you go Chapter 11, that is bankrupt, who
20 cleans up the site?

21 **MR. WINROW:** Walter Winrow, with Poseidon
22 Resources.

23 There are several protections available in the
24 event of that type of a financial dislocation, a Chapter 11.
25 First of all, is that we structure all of our projects on a
stand-alone basis, so they are, contractually, structured on
a stand-alone basis. They are financed on a stand-alone
basis, and they are not crossed collateralized as other
projects --

COMMISSIONER BLANK: So, there is a private
offering for each desal facility?

MR. WINROW: Not necessarily a private offering,
but the contracts are held at the project level. And, so, if
there were a bankruptcy at the parent company level, there
would be some protections from that trickling down to the
project company.

 However, if that were to occur, there are two
additional protections. First of all, under our water
purchase agreements with the City of Carlsbad, the City of
Carlsbad, at its option, can either step in and operate the
plant to its benefit, or it can take over ownership of the
plant, again, at its discretion.

 To the extent that, for whatever reason, the plant
didn't work, or nobody stepped in to that role, then we are
obligated to clean up the site, remove the facility, and
return the property to a free and clean circumstance.

COMMISSIONER BLANK: But, certainly, in Chapter 11
there are lots of creditors who might disagree with your
priority use of funds.

MR. WINROW: And, what we are required to do is

1 post a security in the form of either a letter of credit, or
2 a bond, irrevocable bond --

3 **COMMISSIONER BLANK:** Great, so I think the answer
4 is you are going to provide a bond?

5 **MR. WINROW:** At the start of construction, and it
6 --

7 **COMMISSIONER BLANK:** And, who is that with? is
8 that with the Coastal Commission? with the City of Carlsbad?

9 **MR. WINROW:** That is with the owner of the
10 property, because it is their property to --

11 **COMMISSIONER BLANK:** And, who is the owner of the
12 property?

13 **MR. WINROW:** The power plant.

14 **COMMISSIONER BLANK:** The one we don't have the
15 full agreement on?

16 **MR. WINROW:** That is true.

17 **COMMISSIONER BLANK:** That is correct, and was that
18 description in the material provided to us? or the material
19 you decided we shouldn't have?

20 **MR. WINROW:** I need to ask --

21 **COMMISSIONER BLANK:** That's okay --

22 **MR. WINROW:** -- my colleague --

23 **COMMISSIONER BLANK:** -- thank you, no, let's just
24 move on.

25 In the staff's description of project costs and
price for water purchase on page 17, footnote 16, can someone
just look that up and tell me whether that is generally
correct? page 17, footnote 16? that was the staff's estimate
of project costs, and then the price for water purchase
agreements. I just want to make sure that is correct when I
look at these numbers, because I am going to go through that
in a second.

And, my apologies to the rest of the Commission.

COMMISSIONER POTTER: F. Lee Bailey, and Fidel
Castro, all at the same time.

[Laughter]

COMMISSIONER BLANK: But, I am still breathing.
Again, I just wanted to make sure that within the
order of magnitude that the staff, since they have been
telling me they couldn't get the data from you, or I just
want to make sure that was semi-relevant data, and you guys,
why don't you come back up, and maybe some part of the team
could look at that while we are still talking. I have plenty
of questions to keep us busy.

Will somebody look at that, because it just brings
me to my next question. If you are a for-profit company, I
am just confused, because I am, obviously, interested in how
you stay in business, because it is now my interest as well
as yours. If you are providing water at cost, and your costs
are higher than your delivery, help me through just the --

1 there must be some secret sauce here. What is it about?

2 **MR. WINROW:** We expect that this project will be
economically attractive investment for our shareholders, and

3 **COMMISSIONER BLANK:** But, how? but, I mean,
4 obviously, you have assumed the price per gallon to complete
the project?

5 **MR. STONE:** Like any business, we, in fact, invest
in our production facilities, based on what our expectations
6 are, that the future price of our product can bear on the
market place, and so our expectation is that the price of
water will go up in San Diego County, rather than down --

7 **COMMISSIONER BLANK:** That is what I would expect,
8 but what I thought I heard the water district say is that
they have fixed price contracts, that the water price won't
9 go up.

10 **MR. STONE:** No, the have a contract that has a
fixed priced with identified escalations for --

11 **COMMISSIONER BLANK:** Thank you.

12 **MR. STONE:** -- example, inflation --

13 **COMMISSIONER BLANK:** And, what else?

14 **MR. STONE:** -- and there is one escalator for
inflation, and another for the cost of electricity, but the
price is capped at what the district would have otherwise
15 paid for water --

16 **COMMISSIONER BLANK:** Okay, okay --

17 **MR. STONE:** -- plus the \$250.00 financial
incentive from the Metropolitan Water District.

18 **COMMISSIONER BLANK:** Great, this is very helpful.
I'll just try to move on quickly, and to the rest of the
19 Commissioners, I am almost done.

20 Just an observation, and correct me if my thinking
is incorrect, but as a business, your job is to maximize the
output of profit, right? 24/7 this plant needs to run full
21 bore? It doesn't make any sense to mothball the plant, and
someone else claimed why don't we just run it -- that is your
22 business, right?

23 **MR. STONE:** About half of the cost of our
operations are fixed costs --

24 **COMMISSIONER BLANK:** Yep.

25 **MR. STONE:** -- and so it makes sense for us to
operate at --

COMMISSIONER BLANK: Got it, so having another
incentive, not on your side, but somewhere else down --
excuse the pun -- in the pipeline, to reduce the use of your
product, like water conservation, and using reclaimed water,
seems just fundamentally in conflict with a for-profit, and I
would just like -- at least, that is on first observation
that would be true, and so educate me why that is not the
case?

1 **MR. STONE:** Well, there are several aspects to
2 that. First of all, what is performed by the local water
3 agencies, and regional water agencies, in terms of their
4 portfolio of resources, and the programs that they put in
5 place to incentivize conservation, or make investments in
6 recycling, really resides on their side of the ledger. It is
7 their responsibility.

8 Our role, in this process is to treat water, and
9 provide it at our delivery point to the local water agencies,
10 and so it would represent a part of their larger water
11 resource plans.

12 **COMMISSIONER BLANK:** Got it, so if I could
13 interpret that which was a great answer, is that you are
14 providing gas at \$.29 a gallon, and whether people decide to
15 drive a lot, it is not -- I mean you are the water supplier,
16 and it is up to the districts to put the conservation
17 measures in place, as to the regional water districts and the
18 PUC, is that correct?

19 **MR. STONE:** That is an accurate representation.

20 **COMMISSIONER BLANK:** And, finally, to what size is
21 this plant designed to be expanded?

22 **MR. STONE:** Pardon me?

23 **COMMISSIONER BLANK:** Is the -- let me -- I am just
24 assuming that the plant is designed not to be expanded? is
25 that correct or incorrect?

MR. STONE: That is correct, it has the capacities
that are --

Pardon?

 Oh, it is designed not to be expanded. I am
sorry.

COMMISSIONER BLANK: Okay, all right, good.

MR. STONE: Let me be clear, because obviously I
misunderstood, the --

COMMISSIONER BLANK: Well, either expanded --

MR. STONE: -- facility is designed for 54 million
gallons per day, in total capacity without any capability for
expansion.

COMMISSIONER BLANK: Great, and I have just one
question for Mr. Zbur, if you can.

 Thank you, so much. You have been very patience.

 I thought, when I took ex parte -- and correct me
if I misheard -- was when I asked whether the applicant would
come back to the Commission when the power plant stops in
2010, can you remind me what you represented? I just don't
want to put words in your mouth.

MR. ZBUR: Well, I think what we said was when the
power plant does cease operations, it is likely that there
would be physical modifications that would be required, which
would be considered development under the Coastal Act, and to
the extent that is the case, we would need to come back to

1 the Commission.

2 **COMMISSIONER BLANK:** Right, so, if that occurs in
2010 you would be back to the Commission if you had to
physically modify the intake?

3 **MR. ZBUR:** That is right.

4 **COMMISSIONER BLANK:** But, since we don't have that
power plant contract, we don't know whether it says that
plant will end in 2010, or what the economics are, et cetera,
right, so that is a critical piece of information we are
missing, or would you call it financial arrangement?

6 **MR. MAC LAGGAN:** Mr. Blank, with respect to the
lease provisions, and our ability to use the infrastructure
with the power plant -- my name is Peter MacLaggan, with
Poseidon Resources -- it contemplates that the power plant is
not operating. The power plant has the ability to operate
the cooling water pumps for our purposes.

9 To the extent that the cooling water pumps
continue to be available, we can continue to use them in that
mode. Should they make some business decision to eliminate
that system, and we need to go back and modify the system so
we can continue to operate, that would cause us to also need
to go back to the City of Carlsbad, go through a land use
process, CEQA compliance, come back to the Coastal Commission
with Coastal Act compliance, a subsequent Coastal Development
Permit.

13 **COMMISSIONER BLANK:** Okay, that was helpful, thank
14 you.

15 Yes.

16 **COMMISSIONER BURKE:** In your lifetime have you
ever heard of a power plant shutting down?

17 **COMMISSIONER BLANK:** Yes.

18 **COMMISSIONER BURKE:** Within the last decade?
because, let me tell you, I have only been on the south coast
--

19 **COMMISSIONER BLANK:** Humboldt County.

20 **COMMISSIONER BURKE:** -- well, I am talking about
where people live, big populations, okay?

21 **COMMISSIONER BLANK:** I think Commissioner Neely
would take exception to that.

22 **COMMISSIONER BURKE:** Right, sorry, Bonnie, didn't
mean it.

23 In south coast, we are always struggling to get
power plants to shut down, but rather than shut down, they
will update their technology to meet the current requirements
so they can keep generating power. The chance of a power
plant shutting down in San Diego, unless there is a
catastrophe, I think is --

24 **COMMISSIONER BLANK:** So, Commissioner Burke, I
think that maybe makes my point, in that, if the plant never
shuts down then there is no coming back to the Commission for

1 redoing the intakes.

2 And, I am almost done, if I can, Commissioner
3 Burke.

4 So, as I said, I am looking to support this thing.
5 Given the performance in Tampa I would want a stronger
6 performance bond language. I think the applicant's request
7 for Items 8 and 10 just kind of leave me a little cold about
8 my authority as a Coastal Commissioner, and as I said, I am
9 trying real hard to like this. So, those are kind of my
10 comments, and I would like to see where this goes for the
11 rest of the Commission.

12 So, thank you for indulging me, and I am sorry I
13 exceeded Ben Hueso's time.

14 **CHAIR KRUER:** Commissioner Clark.

15 **COMMISSIONER CLARK:** Well, thank you, Mr. Chair.
16 Let me first state that I will not take the amount of time
17 that my colleagues have taken -- although I don't critique
18 it, because quite frankly, I think it has been useful.

19 Let me also state, from this Commissioner's
20 perspective, a desalination facility for San Diego County is
21 an absolute positive move, in terms of augmentation to your
22 capability of water, so I support it, in general.

23 The issue that I see, right now, based upon what
24 is before us, is that this facility, at this time or not, but
25 let's take the premise that it is this facility at this time,
staff was asked at the beginning of this meeting to present
to the Commission some draft special conditions, in case the
Commission, as a whole, majority of the Commission wanted to
move forward with approval of this project. They have done
that.

We have also gotten from the applicant their
reaction to those conditions -- and this has been in virtual
real time, okay. So, where do we sit tonight, at 8:30 with a
meeting that started at 8:00 a.m? We sit with what I call
some dispirit special conditions that are really the lynch
pin as to whether or not I think this Commission could move
forward on this particular project at this time.

And, quite frankly, as far as I can see,
Conditions 8 and 10, in particular, are really problematic,
because it really does take away this Commission's
prerogative, in terms of energy, and in terms of marine
impact mitigation plan review. I am, frankly, not willing to
do that, okay.

Our Chair is very known to say, upon occasion,
that the devil is in the details, and I agree with him. I
agree that the devil is in the details, and we have, in my
opinion one of two options here. We have the option of
spending the next, probably 3 to 4 hours of going through
every one of these conditions to reconcile what staff has
presented to us, and what the applicant has in rebuttal, and

1 trying to, on the dais, craft new positions, revised
2 positions, or accepted positions, or we can continue this
matter.

3 And, quite frankly, my sense of it is we are far
4 better off if we continue this matter with the understanding
5 that we want to bring resolution to it in a timely manner.
6 But, I am willing to stay here, and go through the
7 conditions, and resolve the condition disparities, but that
8 is what I see is on the table right now.

9 Thank you.

10 **CHAIR KRUER:** Thank you, Commissioner Clark.
11 Commissioner Shallenberger.

12 **COMMISSIONER SHALLENBERGER:** Yes, I have two
13 different questions, kind of areas.

14 One is, to my fellow Commissioner Thayer, what is
15 the State Lands role in this, and your process and your
16 timing, and all of that. We haven't really talked about
17 that.

18 **COMMISSIONER THAYER:** It was because I figured you
19 would ask that question that I waited.

20 **COMMISSIONER SHALLENBERGER:** You and I have worked
21 together a long time now.

22 **COMMISSIONER THAYER:** And, I do think it is
23 appropriate that I do outline that, because the function of
24 the State Lands Commission sitting on this Commission is to
25 provide coordination between the activities of the two
Commission, so that we can be coordinated, and not imposing
conditions that are impossible to meet because they are in
conflict, and this sort of thing.

Our Commission heard this October 30 in San Diego.
It was the week after the fires, and at the request of some
of the opponents, who had, in fact, been evacuated in those
fires, the Commission decided, even before the hearing, that
it was not going to make a decision at that hearing, to
afford more time to the interested parties to further analyze
the project.

But, we took extensive testimony, almost as long
as this, and the Commission directed staff to investigate
some additional details, and not surprisingly they are, in
essence, the subjects of 8 and 10 before the Coastal
Commission today, because -- as the Lieutenant Governor said,
the Chair of our Commission this year -- what is the who,
what, why, when and where of mitigation of the 37 acres.
Where is it going to occur? how do we know it is going to
occur? when is it going to occur? He wasn't satisfied with
the details either, so asked that that be nailed down before
it came back to our Commission.

And, a second issue is the carbon neutrality,
which had been promised by Poseidon, at least -- maybe not
for the first time -- but, very publicly in an email that I

1 think went out the Friday before our meeting, in which
 2 Poseidon said they were going to make their project carbon
 3 neutral. And, again, there was quite a bit of discussion at
 4 the State Lands Commission meeting about that, some
 5 discussion about what priority? what order that would be done
 6 by Poseidon? but, also questions to staff, and basically the
 7 direction from staff nailed this down. There is a great
 8 disparity between the carbon footprint we had calculated in
 9 coordination with Coastal Commission staff, and what Poseidon
 10 had developed. And, the 815 pounds per megawatt hour that we
 11 use -- instead of the 500 -- was what the Energy Commission
 12 staff had encouraged us to use.

13 So, we didn't go to San Diego -- just like Coastal
 14 Commission staff, we didn't go to the San Diego District, but
 15 we did go to the ARB and we did go to the Energy Commission,
 16 we not expert in this, and we needed some help. But, since
 17 then we are not quite sure that is the right number.

18 So, I am speaking too long here, but basically the
 19 exact same issues you are talking about, our Commissioners
 20 were not satisfied, and asked staff to investigate this
 21 before coming back.

22 The original direction was to come back December
 23 3, but there was some understanding that -- which is our next
 24 scheduled meeting of the State Lands Commission in Sacramento
 25 -- but there was some discussion as well, both at the
 meeting, and afterwards, that the Commissioners want it done
 right, and that it could take longer than that to put
 together those answers.

COMMISSIONER SHALLENBERGER: And, does the State
 Lands Commission take similar action to the Coastal
 Commission, as in you can approve something with conditions?
 so your Commission might put conditions on the permit related
 to the substance of 8 and 10?

COMMISSIONER THAYER: Yes, and I think it will.

COMMISSIONER SHALLENBERGER: Okay.

COMMISSIONER THAYER: In fact, it is clear that
 they will.

COMMISSIONER SHALLENBERGER: Okay.

COMMISSIONER THAYER: Of course, we operate with
 leases rather than permits, because we are, basically,
 leasing out property, rather than regulating it, and so the
 conditions generally go on leases, although occasionally
 there is one that is more floating.

COMMISSIONER SHALLENBERGER: Okay, so now I turn
 to staff, and I guess I ask our legal counsel, if we were to
 approve this today, with whatever conditions on it, and State
 Lands -- who is actually the owner of this land, right --
 they took action after us, and put permits on it, would it
 need to come back to us to conform to them? What is -- it
 would.

1 So, why is this before us? don't we usually have
2 the owner of the -- I mean, this is an unusual process to
3 have the Coastal Commission -- don't we usually like to be
4 last in these things, so that we know what everybody else's
5 conditions are?

6 **CHIEF COUNSEL SCHMELTZER:** Often we do, however,
7 occasionally, we will have a condition on that it must
8 receive State Lands approval before our permit can issue.
9 So, that has happened on occasion.

10 **COMMISSIONER SHALLENBERGER:** It leads me to think
11 that this is part of being premature, that it is actually
12 before us, so there is that.

13 And, the other question I have is to, I guess, Ms.
14 Hansch, or whoever is the right one to ask, about how I am
15 still concerned about what the proposal before us, on No. 8,
16 and the mitigation for wetlands, particularly, which has a
17 set number of acres, and so could you talk about how that --
18 what we have already done with Edison? this Commission spent
19 a lot of time working out the wetlands plan and formula with
20 Edison, and how this compares as to what we asked Edison to
21 do? I mean, it is in the same wetlands area, the mitigation,
22 so it seems to me they should be --

23 **EXECUTIVE DIRECTOR DOUGLAS:** Before Susan answers
24 that, I do want to address that, because what is being
25 proposed, and what is on the table clearly would reverse
decades of precedent and action by this Commission. It would
also abdicate your responsibility under the Coastal Act,
deferring that to the Regional Water Board, which sets
standards, which is not the equivalent of a marine life
impact mitigation program.

Relative to what we did at San Dieguito and SONGS,
that is a very important question, and I will ask Susan to
remind you what we did there, what you did, your predecessor.

DEPUTY DIRECTOR HANSCH: For the SONGS mitigation
program, the Commission, on the basis of years of scientific
evidence determined there were significant impacts from
entrainment and impingement at SONGS, at the San Onofre
Nuclear Generating Station, took that evidence based on lots
of scientific advice, and determined how many acres of
wetland mitigation were necessary to mitigate for the
entrainment and impingement, so that was done.

Then you selected, based on many different
locations for the wetland mitigation, that the site would be
Dieguito.

Then, an environmental impact report was done, and
covered the whole area for the San Dieguito project, and then
you issued a separate Coastal Development Permit in 2005 for
the San Dieguito project. And, in two different places in
the original permit, where we determined the amount of
mitigation, the Commission had very specific performance

1 standards so that the wetland mitigation met those standards,
2 and actually we could prove that there was workable real
mitigation.

3 And, yesterday -- I think it was yesterday, days
4 have blurred -- but you approved the mitigation monitoring
5 program, the independent monitoring program for the
6 scientists that they go through this process with Edison, and
7 they make sure that the performance standards are met.

8 And, I think it is critical that if anything is
9 done at San Dieguito, for another company that is mitigating
10 for entrainment and impingement, that it meets the same
11 standards as Southern California Edison. It is fair, and it
12 is based on scientific information.

13 The San Dieguito project, the overall plan, there
14 probably is adequate acreage there that could be used, or at
15 least some acreage that could be used by Poseidon, but they
16 would need to determine what kind -- there are different
17 elements in the wetland restoration projects, some deeper
18 water, some salt marsh, different things that mitigate
19 different kinds of impacts.

20 So, those are the sort of details that would need
21 to be worked out, and that the conditions of the permit, they
22 would have to have a separate permit for the mitigation, and
23 they should be in harmony with the longstanding statements
24 and work that you have done, especially, at the same site.

25 And, those are all things that could be done, but
they could not be done in the way the applicant is suggesting
that the permit condition be written.

COMMISSIONER SHALLENBERGER: Well, and it strikes
me they can't -- this is repeating what has been said, but
they also can't be done until we actually know what the
impacts are of entrainment.

So, there is a circular problem here. We don't
really know what the impacts are of entrainment, so we can't
come up with a mitigation, so we can't look at it and make
sure that it meets at least the same standards that we have
done before.

So, it strikes me for a number of reasons, one is
we don't know -- State Lands has said, Commissioner Thayer,
that they are concerned with the same issues, but we don't
actually know what they are going to do. We have a sense
that they are going to put some kind of conditions on it, but
what those conditions would be, exactly, we don't know. The
odds that they are completely consistent with whatever we
would do is not particularly, you know, who knows what the
odds are? it would have to come back to us after that.

Absolutely, I am hearing from a number of
Commissioners we don't want to give up the authority to look
at the mitigation plan and make sure it is adequate, so you
know, my preference is I would like to continue this, but

1 there may not be enough time to make a continuance worth-
2 while, and I don't know what the deadlines are here.

3 I am worried about the message of actually denying
4 it, because I absolutely, I mean a lot of the testimony today
5 made it sound like we were the water board and not the
6 Coastal Commission. I was, you know, the lead staff at the
7 Senate Water Resources Committee for 8 years, I know the
8 problems in San Diego. They are real, and they are long term
9 and they need more water. They need reliable water. They
10 need sustainable water. They need good water quality. And,
11 they need many, many different sources, conservation,
12 reclamation, and desal.

13 So, I wouldn't want -- my worry about a denial is
14 that it sends a message, perhaps, that this Commission is not
15 supportive of desal, and is not supportive of desal in San
16 Diego, and I haven't heard that from anybody up here at all.

17 But, this project is not ready to go, and I don't
18 think it is defensible in court, if we were to pass it the
19 way it is before us now, so.

20 If it were the will of the Commission to continue
21 it, how much time would that leave, to continue to work on
22 it?

23 **EXECUTIVE DIRECTOR DOUGLAS:** Well, under the
24 *Permit Streamlining Act* -- as you see on the front of your
25 staff report -- the 180th day is January 21. There is a
one-time 90-day extension that is possible with the approval
of the applicant, so that would have to be done, because I
can't see how a condition relative to the wetland and the
green house gas emissions could be worked out in that short a
period of time.

I think we can, if the Commission gives us
direction to do that, we would do that, but that is up to
you, and it is going to depend on what the applicant is
willing to do, relative to providing the 90-day extension.

26 **COMMISSIONER SHALLENBERGER:** Well, before there is
27 any sense from the rest of the Commission, if the Commission
28 wanted to do that, and if the applicant agreed to the 90-day
29 extension, is it doable in your workload? I mean, could you
30 -- that is actually not very much time.

31 **EXECUTIVE DIRECTOR DOUGLAS:** We would do the best
32 we could --

33 **COMMISSIONER SHALLENBERGER:** Okay.

34 **EXECUTIVE DIRECTOR DOUGLAS:** -- this is such an
35 important project, and hearing what the Commission is saying,
clearly, these are the two central issues, as I see it, and
if that is what you end up doing, we will spend the time
necessary to come back with conditions that, hopefully, we
and the applicant can agree with, but at least we would give
you conditions that give you more information, and would give
you a legal basis to act, at that time.

1 **CHAIR KRUER:** Commissioner Scarborough.

2 **COMMISSIONER SCARBOROUGH:** Thank you, Chairman.

3 I am here to help everyone know that the Resource
4 Agency, I think -- as personally presented to you back in '04
5 -- wholeheartedly supports desalinization, has since the day
6 I joined the administration, as an integral piece to the
7 broadened portfolio of the water supply critical for this
8 state, its economy, and its environment, and all of the
9 individuals and residents that we suppose so for granted,
10 turn on our faucet, and remember to turn it off while we
11 brush our teeth.

12 The Resource Agency also supports this project,
13 wholeheartedly, and we are here to express that. We
14 understand, and I think best captured by Mr. Simmons -- who I
15 personally have respect for, having been around the block
16 with him for many years as a Sierra Club attorney challenging
17 the City of San Diego when I was there -- as he put it, at
18 least from my initial perspective, from a science perspect-
19 ive, we have what we need. They have a NPDES permit. There
20 was an EIR. The EIR was not challenged. Scripps scientists
21 have weighed in on this.

22 I do hear, and do respect the concern that is
23 weighed in from the fellow Commissioners, on the concept of
24 the Marine Life Protection act -- I mean plan. That piece,
25 No. 8, to me is severable from -- also to my immediate left
-- air. Air is different. It is changing by the hour. It
is being created as we speak. The air board is different, I
believe.

So, I think we are close. I represent an
administration that is about action. We are close to this
action. We are so close that I am not a motion maker, I am
only here as ex-officio, but it seems to me that if it is
within the ability of the applicants to give on 8, that maybe
we could, like, have action here. Also, make the action
contingent on this vote of -- also our sister agency -- the
State Lands Commission. It is very precedential that this
Commission takes action with conditions.

So, we condition it to have the confidence that is
provided to the folks that are sitting up at this table, and
take the action today.

Thank you.

22 **CHAIR KRUER:** Did you ask him a question,
23 Commissioner Scarborough?

24 **COMMISSIONER SCARBOROUGH:** Yes, sorry -- and they
25 want me to turn my phone off, but I won't.

Will you, are you willing to --

22 **COMMISSIONER POTTER:** State people, wouldn't you
23 know it.

24 **COMMISSIONER SCARBOROUGH:** -- are you willing to
25 afford the Commission the opportunity to review and approve

1 the marine life protection plan -- if I am getting the words
2 right -- mitigation plan.

3 **MR. ZBUR:** Rick Zbur, with Latham and Watkins.
4 Let me suggest something that, hopefully, would be
5 helpful to Commissioner Clark and Commissioner Blank, and
6 others that have raised this issue.

7 In the first sentence of Condition No. 8, we would
8 be willing to amend that so that it would read --

9 **CHAIR KRUER:** Yours or is it staff?

10 **MR. ZBUR:** Ours, which I think is what is on part
11 of the motion.

12 Prior to commencement of construction, the
13 permittee shall submit to the Coastal Commission for its --
14 to the Executive Director for his review and approval, a
15 marine life mitigation plan, and then the period would end.

16 And, then if we would take out the "no less than"
17 37 acres, so it is clear that it a 37-acre plan, and that it
18 would give the Executive Director the ability to look at the
19 protocol, the monitoring.

20 And, then, later on in the second section below,
21 which has the Regional Board approving the site, we would add
22 "the Regional Board and the Executive Director."

23 **COMMISSIONER SCARBOROUGH:** I am not the maker of
24 the motion. I am merely asking the question, so I defer to
25 my fellow Commissioners, who need to --

CHAIR KRUER: Okay.

COMMISSIONER SCARBOROUGH: -- take it from here.

CHAIR KRUER: Okay.

COMMISSIONER HUESO: I would like to ask --

CHAIR KRUER: No, just a second, Commissioner
Potter is next.

COMMISSIONER POTTER: Thank you, Mr. Chair, you
know my ADD kicked in hours ago, and I think we are
struggling with the same issue here, and that is 8 and 10. I
don't think there is any level of comfort that, one, this
Commission is interesting in ceding any of its authority, and
I don't think I am particularly interested in just ceding our
authority to the Executive Director, but back to the
Commission, itself.

My issue with this, you know, 11th hour word-
smithing is that it is prior to commencement of construction.
My feeling is that would be prior to permit issuance, as is
sort of standard procedure here.

There is a couple of things here that we have
heard redundantly, and that is that the mitigations are just
too vague, we have issues with that. And, the carbon
neutrality issue, I think we can give directions to staff
that 8 and 10 needs to be under the purview of the
Commission, itself.

I see significant lack of detail, and I wouldn't

1 want to, necessarily, restrict the mitigation to 37 acres. I
2 would strike the number entirely, and figure out what that
mitigation is going to be.

3 I certainly appreciated Commissioner Blank's
4 issues, but he kind of morphed from F. Lee Bailey into Ralph
5 Nader, and got just a little bit too concerned about the
6 financial underpinnings of the cost of water here, and I
7 don't necessarily think that is my concern, per se, but it
8 most certainly is a concern to me, if for some reason this
9 enterprise fails, and there is no in-perpetuity mitigations
10 for the wetlands mitigations, or, once you fail, the carbon
11 neutrality issue is moot.

12 But, most certainly, I would want to see whether
13 it is a bond, whether it is an endowment, whether it is a
14 trust, but something that goes on and continues this intent
15 ad infinitum.

16 Also, the power plant closing question remains
17 very, very vague and unanswered. And, also for me, the
18 ultimate death of once-through cooling, what is that going to
19 mean to the continued operation of this? I can't really
20 concern myself with the cost of that, but there is a cost
21 associated, and that really is with the people you contracted
22 with. That is the responsibility of those agencies to try to
23 avoid some sort of price rate that might occur, and I don't
24 necessarily want to get involved in that.

25 I am not necessarily adverse to taking a step back
in time, and taking a look at the SONGS process here. I
don't want to get into that today, but Susan certainly
alluded to it. You know why we had so much data on that was
because it got up and running, and we looked at, I think it
was, maybe, 10 years of data on entrainment issues. And, it
was that retrospective that gave us 100 percent accurate data
and technology that told us what had been going on with this
plant, and that wasn't just to entrainment, but it was also
the impacts to the kelp forest in that area of the warm water
discharges.

And, I just don't want to step into the future
here without taking a look at some of the issues that have
been raised today. So, I would hope that there is a way
through staff to amend Conditions 8 and 10, that gives us the
authority that we could move forward, but understanding that
8 and 10 are going to set the course for the future. I think
that is the best way to go, having recognized that I really
don't want to go through another long drawn out hearing on
the entire benefits of desal.

If we are going to have discussion at this
Commission level, it ought to be specific to the value of the
mitigation, and focus on those components, not just the
general benefits of desal to the area of San Diego, which is
indisputable. I mean, 75 - 80 percent dependency on imported

1 water is not a good thing at all, and the death of the
2 Colorado River is imminent.

3 But, I would much prefer that we get down to the
4 hard core brass tacks of the issues that are really bothering
5 us, and I think that is 8 and 10, and if staff was inclined
6 to come up with some clever way of incorporating the
7 concerns I have aired here, and other Commissioners have, I
8 would hope that the maker of the motion would be willing to
9 amend his motion to include that direction.

10 **CHAIR KRUER:** Thank you, Commissioner Potter.
11 Commissioner Hueso, what about that?

12 **COMMISSIONER HUESO:** Yes, I think this has been an
13 excellent discussion, and I am willing to do that.

14 I think the intent here, if I am not mistaken, is
15 to bring back the marine life mitigation plan for Coastal
16 approval, and the climate action plan -- well, I am getting
17 to that -- the climate action plan for Commission approval.

18 So, I mean the only concern that I had about the
19 staff recommendation was on the no less than 2:1 mitigation
20 on an area basis for the impacts identified above, and I
21 think that also gets to, kind of what I have been hearing
22 from Commissioners, that that is not necessarily kind of a
23 scientific approach. It is just kind of a number that is
24 thrown out. It doesn't necessarily cover the impacts. It
25 could be more than required, it could be less than required,
and maybe through the process of having the marine life
mitigation plan come back for Commission approval we can,
maybe, come to a decision as after they have gone through the
State Lands Commission, and all of the conditions that have
been placed on this project can be brought to the Commission
for review and approval.

And, my question is, am I accurate in hearing the
Commissioners? and how would we accomplish that through a
motion?

CHAIR KRUER: Okay.

COMMISSIONER POTTER: Mr. Chair, before --

COMMISSIONER HUESO: I am asking -- and I am
willing to amend my motion, and I'll do it incorporating some
of the comments that we heard from Commissioners.

COMMISSIONER POTTER: I am never quite sure,
exactly, what I have said, but it would be refreshing to hear
what staff thought we heard, and if we could get those into
some sort of positive directions, I am hoping my colleagues
here would --

COMMISSIONER REILLY: Mr. Chair, just a point of
clarification.

CHAIR KRUER: Yes.

COMMISSIONER REILLY: Is what we are talking about
is going back to the staff recommendations on 8 and 10, and
simply omitting the 2:1 mitigation ratio, currently?

1 EXECUTIVE DIRECTOR DOUGLAS: That is what I heard.
 2 CHAIR KRUER: That is what I heard.
 3 COMMISSIONER REILLY: Okay.
 4 COMMISSIONER POTTER: And, it sounds --
 5 COMMISSIONER HUESO: Then, I'll amend my motion to
 6 accomplish that.
 7 EXECUTIVE DIRECTOR DOUGLAS: Right.
 8 CHAIR KRUER: Okay.
 9 COMMISSIONER WAN: I need to --
 10 CHAIR KRUER: Wait a second now, just one second
 11 --
 12 COMMISSIONER POTTER: Commissioner Wan wanted to
 13 ask --
 14 CHAIR KRUER: -- I want to ask Commissioner Burke
 15 if he agrees with that amending motion?
 16 COMMISSIONER BURKE: Well, I --
 17 CHAIR KRUER: Okay, thank you.
 18 COMMISSIONER WAN: Point of clarification.
 19 CHAIR KRUER: Commissioner Wan.
 20 COMMISSIONER WAN: Commissioner Potter, I also
 21 heard you make some comment about removing the specificity
 22 with regards to this 37 acres?
 23 COMMISSIONER POTTER: That is correct.
 24 EXECUTIVE DIRECTOR DOUGLAS: That's right.
 25 COMMISSIONER POTTER: I don't want to set a
 number, an arbitrary number that may not be enough, is my
 candid comment.
 COMMISSIONER CLARK: Mr. Chair.
 EXECUTIVE DIRECTOR DOUGLAS: Mr. Chair.
 CHAIR KRUER: Yes.
 EXECUTIVE DIRECTOR DOUGLAS: If you look at the
 staff condition that we have identified, there is no
 reference to acreage, and what we heard was to delete the
 2:1, just leave that open, and then that would be addressed
 in the plan, but it would be the staff --
 COMMISSIONER POTTER: As mitigation, as mitigation
 based on the conditions, that is the issue.
 EXECUTIVE DIRECTOR DOUGLAS: Right.
 COMMISSIONER POTTER: And, then I did have that
 piece in there regarding the once-through cooling component,
 and the possible plant closure issue. What is the sort of
 succession plan, or transition plan for that event? I would
 say the plant closure is questionable and at some point
 inevitable, but once-through cooling looks like it has a
 short shelf life, at this moment, so, if we could include
 that.
 And, then, I just have one final issue, and that
 is the Special Condition 1, where we seem to be making a run
 back at Coastal Commission's legal reimbursement costs, and I
 have never been real fond of that, because I didn't think it

1 was actually necessary, but if Commissioners had concerns
2 with that, I would certainly be interested in hearing that.

CHAIR KRUER: Thank you, Commissioner Potter.
Okay, Commissioner Neely.

3 **VICE CHAIR NEELY:** Thank you, Mr. Chairman, I just
4 want to thank the Commission for this discussion. It has
5 been very helpful for me, as well. I think that we have all
6 gone on the record now supporting the need for the desal
plant, acknowledging the needs of San Diego, with regards to
water, and we are holding on to -- we are not relinquishing
our authority as a Commission.

CHAIR KRUER: Okay.
Commissioner Wan.

7 **COMMISSIONER WAN:** I have just two -- a couple of
8 questions of Mr. Thayer.
9 First of all, do you have the full entrainment
study?

10 **COMMISSIONER THAYER:** We don't have anything, I
11 think, beyond what the Coastal Commission has. I am not sure
12 what our staff has in way of background documents.

13 **COMMISSIONER WAN:** Okay, are you going to be
14 looking at, when you are looking at the entrainment issues,
15 in addition to the mitigation plan, are you going to be
16 looking at the adequacy of the mitigations? and the
17 methodology? and all of that?

18 **COMMISSIONER THAYER:** That wasn't one of the
19 directions from the Commission.

20 **COMMISSIONER WAN:** So, you will not be looking at
21 that?

COMMISSIONER THAYER: No, we will not.

22 **COMMISSIONER WAN:** Okay, so at no place will
23 anybody get to look at that.
24 How about looking at the nature of the input,
25 because we have been talking about alternatives, and will you
be looking at whether there is a possibility for other
alternatives to be used that would minimize the impacts, for
example, of entrainment? or energy use?

COMMISSIONER THAYER: Sub-ocean --

COMMISSIONER WAN: As an example?

26 **COMMISSIONER THAYER:** -- yes, there was no
27 direction from the Commission on that.

28 I should modify slightly, because the Commission
29 did ask us to look at the wetland mitigation, and I think
30 that was both for nailing down what it was going to do, and
31 make sure it was done properly. I suspect they would want
32 some evaluation about the efficacy of that --

COMMISSIONER WAN: Okay.

33 **COMMISSIONER THAYER:** -- in terms of addressing
34 the impacts.

COMMISSIONER WAN: Well, if that is the case, you

1 also would need the full entrainment study, and not just the
2 summary.

3 **COMMISSIONER THAYER:** We may be looking at that
4 issue.

5 **COMMISSIONER WAN:** Thank you.

6 **CHAIR KRUER:** Commissioner Clark.

7 **COMMISSIONER CLARK:** Thank you, Mr. Chair.

8 Maybe this came out, but it isn't clear to me.
9 Once the State Lands Commission acts on this, I thought I
10 heard it indicated that if there were changes or elements
11 that would impact an approval that we made, it would
12 automatically come back to us? or do we need to make that
13 expressed in these conditions that it will come back to us?

14 **EXECUTIVE DIRECTOR DOUGLAS:** Well, it seems to me,
15 that if you were going to approve it you would require
16 approval from the State Lands Commission prior to issuance,
17 and if there are conditions imposed --

18 **COMMISSIONER CLARK:** Right.

19 **EXECUTIVE DIRECTOR DOUGLAS:** -- that raise issues
20 about consistency with the Coastal Act --

21 **COMMISSIONER CLARK:** Right.

22 **EXECUTIVE DIRECTOR DOUGLAS:** -- it would seem to me
23 that that would require your review.

24 **COMMISSIONER CLARK:** And, that is my thinking.

25 Now, my question is does that need to be expressed
as a condition in our set of conditions?

EXECUTIVE DIRECTOR DOUGLAS: Well, I would suggest
that what you would do then is you would say prior to
issuance you would have to have proof of the State Lands
Commission's action, and the opportunity for you to determine
whether or not conditions imposed, somehow contravene
conformity with Coastal Act policies.

COMMISSIONER CLARK: Would the maker of the motion
accept that?

COMMISSIONER HUESO: I'll accept that as part of
the motion.

COMMISSIONER CLARK: And, the "seconder"?

[No Response]

CHAIR KRUER: "Yes" he said.

COMMISSIONER CLARK: Thank you.

CHAIR KRUER: Okay.

Commissioner Shallenberger.

COMMISSIONER SHALLENBERGER: Two quick points. Do
we need to do the same thing for the regional board?

EXECUTIVE DIRECTOR DOUGLAS: No, it is --

COMMISSIONER HUESO: That is already in there,
okay.

Then I just want to put on the record that we have
deleted the 2:1 mitigation ratio, but I wouldn't want either
staff or the project proponent to interpret that, that we

1 were opposed to a 2:1 ratio. It is a very, very common ratio
2 for wetlands for mitigation, in fact, it is not uncommon to
go 3:1 --

3 **COMMISSIONER HUESO:** But, it may be too little.

4 **COMMISSIONER SHALLENBERGER:** -- that is right, but
I just don't want it --

5 **COMMISSIONER HUESO:** So, we just --

6 **COMMISSIONER SHALLENBERGER:** -- interpreted as
that is something we don't support.

7 **COMMISSIONER HUESO:** We will put that into the
record.

8 **CHAIR KRUER:** Okay.

9 I am going to --

10 **EXECUTIVE DIRECTOR DOUGLAS:** Mr. Chairman.

11 **CHAIR KRUER:** Director Douglas.

12 **EXECUTIVE DIRECTOR DOUGLAS:** Just one point of
clarification.

13 So, the motion has been amended to include the
14 staff's suggested conditions with the deletion of the 2:1.
15 Did you do anything relative to the climate?

16 **CHAIR KRUER:** Yes.

17 **EXECUTIVE DIRECTOR DOUGLAS:** You did the same
18 thing there, and went with the staff?

19 **CHAIR KRUER:** Yes.

20 **COMMISSIONER HUESO:** Yes.

21 **EXECUTIVE DIRECTOR DOUGLAS:** Okay, good, thank
you. I didn't understand that.

22 **CHAIR KRUER:** Okay, I think I am going to save
23 everybody a lot of time, when it comes to me, this discussion
24 was very worthwhile. I do support desal, and I was moved
25 today by Robert Simmons, who I have a great deal of respect
for. He was the actual -- as Commissioner Scarborough said
-- the lawyer that represented the Sierra Club that beat the
City of San Diego on their secondary treatment plant. He is
a brilliant lawyer, and it meant a lot to me that for him --
and many of the other people who came in here today, on both
sides, their opinions, and he thought there was no
significant impact. And, I think with the changes I was
concerned about on 8 and 10, helped myself. So, with that I
am not going to make any more comments.

I am going to ask to call the roll, please, on the
motion.

COMMISSIONER REILLY: Mr. Chair, may I make one
final comment?

CHAIR KRUER: Yes, you can, Commissioner Reilly.

COMMISSIONER REILLY: Thank you.

I am still very bothered by the fact that we are
voting, potentially, to approve a project with so much
information missing, and particularly a project as important
as this. And, I would have much preferred to have had a

1 continuance, and provided the applicant with an opportunity
2 to provide the information, so that we could make a studied
judgment based on a good staff analysis. We don't have that
in front of us.

3 And, I think that approving it does bias the
4 Commission, even though we are requiring them to come back
with a couple of studies. I think it bias us towards
5 approving it, you know, even though we are saying, you have
got to bring the studies back at some future date, and I
6 think it is just inappropriate for us to do that on a project
like this.

7 **CHAIR KRUER:** Okay.

8 **COMMISSIONER REILLY:** I am not going to be able to
support the motion.

9 **CHAIR KRUER:** That is fine, Commissioner Reilly,
thank you.

10 Call the roll, please.

11 **EXECUTIVE DIRECTOR DOUGLAS:** Mr. Chairman --

12 **CHAIR KRUER:** They are asking for a "Yes" vote.

13 **EXECUTIVE DIRECTOR DOUGLAS:** -- just one
clarification, before you do.

14 Just to make clear that I did read into the record
15 the deletion of the reference in Suggested Condition 8 to
16 Aqua Hedionda, so it just leaves it open for the mitigation
17 plan to look at other areas for restoration, and I just
18 wanted to clarify that.

19 **CHAIR KRUER:** Okay, that's good, thank you, for
that clarification.

20 Clerk, call the roll, please.

21 **SECRETARY MILLER:** Commissioner Burke?

22 **COMMISSIONER REILLY:** Asking for what?

23 **CHAIR KRUER:** "Yes".

24 **COMMISSIONER BURKE:** Yes.

25 **SECRETARY MILLER:** Commissioner Clark?

COMMISSIONER CLARK: Yes.

SECRETARY MILLER: Commissioner Hueso?

COMMISSIONER HUESO: Yes.

SECRETARY MILLER: Commissioner Secord?

COMMISSIONER SECORD: Yes.

SECRETARY MILLER: Commissioner Neely?

VICE CHAIR NEELY: Yes.

SECRETARY MILLER: Commissioner Potter?

COMMISSIONER POTTER: Aye.

SECRETARY MILLER: Commissioner Reilly?

COMMISSIONER REILLY: No.

SECRETARY MILLER: Commissioner Shallenberger?

COMMISSIONER SHALLENBERGER: No.

SECRETARY MILLER: Commissioner Wan?

COMMISSIONER WAN: No.

SECRETARY MILLER: Commissioner Firestone?

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COMMISSIONER FIRESTONE: Yes.

SECRETARY MILLER: Commissioner Blank?

COMMISSIONER BLANK: Yes.

SECRETARY MILLER: Chairman Krueer?

CHAIR KRUEER: Yes.

SECRETARY MILLER: Eight, four.

CHAIR KRUEER: The motion passes --

EXECUTIVE DIRECTOR DOUGLAS: Mr. Chairman.

COMMISSIONER REILLY: No, it was nine, three.

CHAIR KRUEER: Nine, three, wasn't it? I counted nine, three.

SECRETARY MILLER: Nine, three.

EXECUTIVE DIRECTOR DOUGLAS: Mr. Chairman.

CHAIR KRUEER: Yes.

EXECUTIVE DIRECTOR DOUGLAS: Just so that we don't have argument down the road, I need to understand what happened to the finding language that they suggested, because that is inconsistent with the action that the Commission just took.

COMMISSIONER WAN: We didn't vote on that.

EXECUTIVE DIRECTOR DOUGLAS: You did not vote on that?

CHAIR KRUEER: No, no, we didn't vote on that. It is out the window.

EXECUTIVE DIRECTOR DOUGLAS: All right, good. That is why I asked, thank you.

COMMISSIONER REILLY: But, staff may need to look at their findings, and bring them into conformance with what we did, too.

EXECUTIVE DIRECTOR DOUGLAS: That is a different issue, but at least these were not adopted, okay, thank you.

CHAIR KRUEER: We are going to take a break, because we have more things to do here. We thank everyone for their patience in coming out on this item.

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[Whereupon the hearing concluded at 9:10 p.m.]

Item W4a
Recommended Revised Findings for Coastal Development
Permit E-06-013
Poseidon Resources (Channelside), LLC

ATTACHMENT 2:
Staff Proposed Conditions of November 14,
2007 and Poseidon Proposed Conditions at
November 15, 2007

Th13a

Staff Proposed Conditions For Coastal Commission's Potential Approval of Poseidon Project

STANDARD CONDITIONS:

- 1) **Notice of Receipt and Acknowledgment:** This permit is not valid until a copy of the permit is signed by the Permittee or authorized agent, acknowledging receipt of the permit and the acceptance of the terms and conditions, and is returned to the Commission office.
- 2) **Expiration:** Construction activities for the proposed project must be initiated within two years of issuance of this permit. This permit will expire two years from the date on which the Commission approved the proposed project if development has not begun. Construction of the development shall be pursued in a diligent manner and completed in a reasonable period of time. Application for extension of the permit must be made at least six months prior to the expiration date.
- 3) **Interpretation:** Any questions of intent or interpretation of any condition will be resolved by the Executive Director of the Commission (hereinafter, "Executive Director") or the Commission.
- 4) **Assignment:** The permit may be assigned to any qualified person, provided the assignee files with the Commission an affidavit accepting all terms and conditions of the permit.
- 5) **Terms and Conditions Run with the Land:** These terms and conditions shall be perpetual, and it is the intention of the Commission and the Permittee to bind all future owners and possessors of the subject property to the terms and conditions.

SPECIAL CONDITIONS:

- 1) **Liability for Costs and Attorneys Fees:** The Permittee shall reimburse the Coastal Commission in full for all Coastal Commission costs and attorneys fees – including (1) those charged by the Office of the Attorney General, and (2) any court costs and attorneys fees that the Coastal Commission may be required by a court to pay -- that the Coastal Commission incurs in connection with the defense of any action brought against the Coastal Commission, its officers, employees, agents, successors and assigns challenging the approval or issuance of this permit. The Coastal Commission retains complete authority to conduct and direct the defense of any such action against the Coastal Commission.

- 2) **Proof of Legal Interest:** PRIOR TO ISSUANCE OF THE PERMIT, the Permittee shall provide for Executive Director review and approval documentation of the Permittee's legal interest in all property needed to construct and operate the project, including:
- Lease(s) from the California State Lands Commission for structures on state tidelands;
 - Lease(s) or other forms of approval from the power plant owner allowing the Permittee to use portions of the power plant site and Agua Hedionda Lagoon.
 - Lease(s) or other forms of approval from the City of Carlsbad and other local governments for the project's water delivery pipelines.
 - Lease(s) or other forms of approval from the City of Carlsbad and the San Diego County Water Authority for use of Maerkle Reservoir for water storage.
- 3) **Lease and Deed Restriction:** PRIOR TO ISSUANCE OF THE PERMIT, the applicant shall provide to the Executive Director for review and approval documentation demonstrating that the applicant has executed and recorded against its leasehold interest(s) in the property governed by this permit a lease restriction (in which any private owner of the fee interest in such property shall join or to which it shall agree to be bound), in a form and content acceptable to the Executive Director (a) indicating that, pursuant to this permit, the California Coastal Commission has authorized development on the Property, subject to terms and conditions that restrict the use and enjoyment of the Property; and (b) imposing all of the Special Conditions of this permit as covenants, conditions and restrictions on the use and enjoyment of the Property. The restriction shall include a legal description of the Property. It shall also indicate that, in the event of an extinguishment or termination of the deed restriction for any reason, the Standard and Special Conditions of this permit shall continue to restrict the use and enjoyment of the Property so long as either this permit or the development it authorizes – or any part, modification, or amendment thereof – remains in existence on or with respect to the Property.
- 4) **Other Approvals:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval documentation showing that the project has obtained final approvals for project construction and operation from the City of Carlsbad, the Regional Water Quality Control Board, the California Department of Health Services, the National Marine Fisheries Service, and the U.S. Fish and Wildlife Service, or documentation showing that these approvals are not needed.
- 5) **Assumption of Risk and Waiver of Liability:** The Permittee acknowledges and agrees, on behalf of itself and all successors and assigns: (i) that the may be subject to hazards from seismic events, liquefaction, storms, waves, floods and erosion; (ii) to assume the risks to the Permittee and the property that is the subject of this permit of injury and damage from such hazards in connection with this permitted development; (iii) to unconditionally waive any claim of damage or liability against the Commission, its officers, agents, and employees for injury or damage from such hazards; and (iv) that any adverse effects to property caused by the permitted project shall be fully the responsibility of the landowner.

- 6) **Limits of Development:** This permit authorizes the construction and operation of the Poseidon Carlsbad Desalination Project and associated infrastructure as described in the project description of this staff report, as clarified and modified by these conditions.
- 7) **Final Plans:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval final plans for the project components located in the coastal zone. The Permittee shall undertake development in accordance with the approved plans and any changes shall be reported to the Executive Director. No material changes within the coastal zone shall occur without a Commission amendment to this coastal development permit unless the Executive Director determines that no amendment is necessary. Changes to the project requiring review for amendment would include changes in the physical, operational, or delivery capacity increases, or extension of water supply distribution pipelines beyond those shown on the final plans.
- 8) **Marine Life Mitigation Plan:** PRIOR TO ISSUANCE OF THE PERMIT, the Permittee shall submit to and obtain from the Commission approval of a Marine Life Mitigation Plan in the form of an amendment to this permit that includes the following:
 - a) Documentation of the project's expected impacts to marine life due to entrainment and impingement caused by the facility's intake of water from Agua Hedionda Lagoon. This requirement can be satisfied by submitting a full copy of the Permittee's Entrainment Study conducted in 2004-2005 for this project.
 - b) No less than 2:1 mitigation on an areal basis for the impacts identified above. To the maximum extent feasible, the mitigation shall take the form of creation, enhancement, or restoration of aquatic and wetland habitat within Agua Hedionda Lagoon. Remaining mitigation outside of Agua Hedionda Lagoon shall consist primarily of similar aquatic and wetland mitigation at other nearby coastal lagoons.
 - c) Goals, objectives and performance criteria for each of the proposed mitigation sites. It shall identify specific creation, restoration, or enhancement measures that will be used at each site, including grading and planting plans, the timing of the mitigation measures, monitoring that will be implemented to establish baseline conditions and to determine whether the sites are meeting performance criteria. The Plan shall also identify contingency measures that will be implemented should any of the mitigation sites not meet performance criteria.
 - d) "As-built" plans for each site and annual monitoring reports for no less than five years or until the sites meet performance criteria.
 - e) Legal mechanism(s) proposed to ensure permanent protection of each site – e.g., conservation easements, deed restriction, or other methods.
- 9) **Change in Seawater Withdrawal:** If at any time during the life of the project Poseidon proposes or is required to withdraw more than an average flow of 304 MGD of seawater, it must obtain first an amendment to this permit.

10) Energy Minimization and Greenhouse Gas Reduction Plan: PRIOR TO ISSUANCE OF THE PERMIT, the Permittee shall submit to the Commission a Revised Energy Minimization and Greenhouse Gas Reduction Plan that addresses comments submitted by the staffs of the Coastal Commission, State Lands Commission and the California Air Resources Board. The permit shall not be issued until the Commission has approved a Revised Energy Minimization and Greenhouse Gas Reduction Plan after a public hearing.

11) Public Access Enhancements: PRIOR TO ISSUANCE OF THE PERMIT, the Permittee shall record one or more Public Access Easement Deed(s) in favor of one or more public agency(ies) or private association(s) acceptable to the Executive Director over four sites totaling approximately 19 acres as generally described below and as more specifically described in the coastal development permit application. The four sites are:

- Fishing Beach: approximately 3.5 to 4 acres of land along the west shore of Agua Hedionda Lagoon.
- Bluff Area: approximately 13 acres of land on the west side of Carlsbad Boulevard opposite the power plant.
- Hubbs Site: approximately 2 acres of land along the north shore of Agua Hedionda Lagoon to be used for a fish hatchery, aquatic research, and public access.
- South Power Plant Parking Area: land on the east side of Carlsbad Boulevard near the south entrance of the power plant to be used for public parking.

The Easement Deeds shall be of a form and content approved by the Executive Director, free of prior encumbrances, except for tax liens, that the Executive Director determines may affect the interest being conveyed. The Deed(s) shall provide that they shall not be used or construed to allow anyone to interfere with any rights of public access acquired through use which may exist on the property.

The Easement Deed(s) shall include stewardship plans for these easements that include the following:

- Descriptions of the allowable and prohibited uses of the easements. These descriptions shall identify the intended public uses of each easement area and the activities and structures that will be allowed or prohibited in order to support the intended uses.
- Descriptions of existing conditions within the easements, including any natural habitat areas, existing and proposed developments, and existing and proposed public accessways.
- Descriptions of how the easements will be managed to provide the allowable and existing uses described above.
- Descriptions of the funding needed to support stewardship of the easements. Based on the funding needs identified in the plan and upon approval of the plan by the Executive Director, the Permittee shall fund an endowment to provide for perennial stewardship costs.

- 12) Dredging:** This permit does not authorize dredging that may be needed to maintain flows to the desalination facility's intake structure. The Permittee shall submit separate coastal development permit applications for proposed dredging operations. If dredge spoils are suitable for beach replenishment, the materials shall be placed at appropriate beach locations.
- 13) Visual Resources:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval a Screening Plan. Desalination plant exterior mechanical equipment and facilities, including tanks, heating, air conditioning, refrigeration equipment, plumbing lines, duct work and transformers, shall be screened from view on all sides visible to the public. The design and material used for screening shall be architecturally compatible with the building.
- 14) Lighting Plan:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit a Lighting Plan to the Executive Director for review and approval. Exterior lighting for the desalination facilities shall serve the purpose of operations, security and safety only. The Lighting Plan shall demonstrate that project lighting is shielded from surrounding areas, and that only the minimum amount of lighting required for safety purposes is provided to avoid adverse effects on surrounding areas. In general, lighting fixtures shall be shielded downward and away from the ocean, lagoon and adjacent properties. Construction of the desalination plant and related facilities and improvements shall be in conformance with the approved plan.
- 15) Construction Plan:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval a Construction Plan. The Construction Plan shall identify the specific location of all construction areas, all staging areas, and all construction access corridors in site plan view in the coastal zone. The Plan shall identify any expected disruptions to public access to the shoreline and shall include measures to avoid, minimize, or mitigate for those disruptions.

The Plan shall also identify the type and location of erosion control/water quality best management practices that will be implemented during construction to protect coastal water quality, including the following:

- Silt fences, or equivalent apparatus, shall be installed at the perimeter of the construction areas to prevent construction-related runoff and/or sediment from entering the dunes and/or the Pacific Ocean.
- Grading and alteration outside of the approved construction zone is prohibited.
- Equipment washing, refueling, and/or servicing shall not take place on the beach or sandy dune area. All construction equipment shall be inspected and maintained at an off-site location to prevent leaks and spills of hazardous materials at the project site.
- The construction site shall maintain good construction housekeeping controls and procedures (e.g., clean up all leaks, drips, and other spills immediately; keep materials covered and out of the rain (including covering exposed piles of soil and wastes); dispose of all wastes properly, place trash receptacles on site for that purpose, and cover open trash receptacles during wet weather; remove all construction debris from the beach).

- All erosion and sediment controls shall be in place prior to the commencement of construction as well as at the end of each workday. A copy of the approved Construction Plan shall be kept at the construction job site at all times and all persons involved with the construction shall be briefed on its content and meaning prior to commencement of construction. The Permittee shall notify the Executive Director at least three working days in advance of commencement of construction, and immediately upon completion of construction. The Permittee shall undertake construction in accordance with the approved Construction Plan. Any proposed changes to the approved Construction Plan shall be reported to the Executive Director. No material changes to the approved Construction Plan shall occur without a Commission amendment to this coastal development permit unless the Executive Director determines that no amendment is necessary.

16) Storm Water Pollution Prevention Plan: PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit for Executive Director review and approval a Storm Water Pollution Prevention Plan (SWPPP). At minimum the SWPPP shall include the following Best Management Practices (BMPs):

- Gravel bags, silt fences, etc. shall be placed along the edge of all work areas as determined appropriate by the City's construction inspector in order to contain particulates prior to contact with receiving waters.
- All concrete washing and spoils dumping will occur in a designated location.
- Construction stockpiles will be covered in order to prevent blow-off or runoff during weather events.
- A pollution control education plan developed by the General Contractor and implemented throughout all phases of development and construction.
- Severe weather event erosion control materials and devices shall be stored onsite for use as needed.

17) Water Quality Technical Report: PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit for Executive Director review and approval a Water Quality Technical Report as specified in the City of Carlsbad Standard Urban Stormwater Mitigation Plan (April 2003) (Carlsbad SUSMP) for the post construction project site, prepared by a licensed Civil Engineer, which shall include plans, descriptions and supporting calculations. The Storm Water Management Plan shall incorporate all feasible Best Management Practices (BMPs) designed to reduce, to the maximum extent practicable, the volume, velocity and pollutant load of stormwater leaving the developed areas of the site. The plan shall include the following criteria:

- Post-Development peak runoff rates and average volumes shall not exceed pre-development conditions.
- Runoff from all parking areas, turnouts, driveways and other impermeable surfaces (e.g., roofs) shall be collected and directed through a system of structural BMPs including vegetated and/or gravel filter strips or other media filter devices. The filter elements shall be designed to 1) trap sediment, particulates and other solids and 2) remove or mitigate contaminants through infiltration and/or biological uptake. The drainage system shall also

be designed to convey runoff in excess of this standard from the developed site in a non-erosive manner.

- Provisions for maintaining the drainage and filtration systems so that they are functional throughout the life of the approved development. Such maintenance shall include the following: 1) the drainage and filtration system shall be inspected, cleaned and repaired prior to the onset of the storm season, no later than September 30th each year and 2) should any of the project's surface or subsurface drainage/filtration structures fail or result in increased erosion, the applicant/landowner or successor-in-interest shall be responsible for any necessary repairs to the drainage/filtration system and restoration of the eroded area.
- A drainage system approved by the City Engineer to ensure that runoff resulting from 10-year frequency storms of 6 hours and 24 hours duration under developed conditions, are equal to or less than the runoff from a storm of the same frequency and duration under existing developed conditions. Both 6-hour and 24-hour storm durations shall be analyzed to determine the detention basin capacities necessary to accomplish the desired results.

The Permittee shall implement and maintain the Plan for the life of the project.

EXHIBIT A

Th7a

Applicant's Proposed Coastal Development Permit Conditions (Marked to show changes from Staff's Proposed Conditions)

STANDARD CONDITIONS:

- 1) **Notice of Receipt and Acknowledgment:** This permit is not valid until a copy of the permit is signed by the Permittee or authorized agent, acknowledging receipt of the permit and the acceptance of the terms and conditions, and is returned to the Commission office.
- 2) **Expiration:** Construction activities for the proposed project must be initiated within two years of issuance of this permit. This permit will expire two years from the date on which the Commission approved the proposed project if development has not begun. Construction of the development shall be pursued in a diligent manner and completed in a reasonable period of time. Application for extension of the permit must be made at least six months prior to the expiration date.
- 3) **Interpretation:** Any questions of intent or interpretation of any condition will be resolved by the Executive Director of the Commission (hereinafter, "Executive Director") or the Commission.
- 4) **Assignment:** The permit may be assigned to any qualified person, provided the assignee files with the Commission an affidavit accepting all terms and conditions of the permit.
- 5) **Terms and Conditions Run with the Land:** These terms and conditions shall be perpetual, and it is the intention of the Commission and the Permittee to bind all future owners and possessors of the subject property to the terms and conditions.

SPECIAL CONDITIONS:

- 1) ~~**Liability for Costs and Attorneys Fees:** The Permittee shall reimburse the Coastal Commission in full for all Coastal Commission costs and attorneys fees—including (1) those charged by the Office of the Attorney General, and (2) any court costs and attorneys fees that the Coastal Commission may be required by a court to pay—that the Coastal Commission incurs in connection with the defense of any action brought against the Coastal Commission, its officers, employees, agents, successors and assigns challenging the approval or issuance of this permit. The Coastal Commission retains complete authority to conduct and direct the defense of any such action against the Coastal Commission.~~
- 2) **Proof of Legal Interest:** PRIOR TO ISSUANCE OF THE PERMIT, the Permittee shall provide for Executive Director review and approval documentation of the Permittee's

legal interest in all property within the coastal zone needed to construct and operate the project, including:

- Lease(s) from the California State Lands Commission for structures on state tidelands;
- Lease(s) or other forms of approval from the power plant owner allowing the Permittee to use portions of the power plant site and Agua Hedionda Lagoon.
- Lease(s) or other forms of approval from the City of Carlsbad and other local governments for the project's water delivery pipelines.
- ~~Lease(s) or other forms of approval from the City of Carlsbad and the San Diego County Water Authority for use of Maerke Reservoir for water storage.~~

- 3) **Lease and Deed Restriction:** PRIOR TO ISSUANCE OF THE PERMIT, the applicant shall provide to the Executive Director for review and approval documentation demonstrating that the applicant and has executed and recorded against its leasehold interest(s) in the property governed by this permit a lease restriction (in which any private owner of the fee interest in such property shall join or to which it shall agree to be bound), in a form and content acceptable to the Executive Director (a) indicating that, pursuant to this permit, the California Coastal Commission has authorized development on the Property, subject to terms and conditions that restrict the use and enjoyment of the Property; and (b) imposing all of the Special Conditions of this permit as covenants, conditions and restrictions on the use and enjoyment of the Property. The restriction shall include a legal description of the Property. It shall also indicate that, in the event of an extinguishment or termination of the deed restriction for any reason, the Standard and Special Conditions of this permit shall continue to restrict the use and enjoyment of the Property so long as either this permit or the development it authorizes – or any part, modification, or amendment thereof – remains in existence on or with respect to the Property.
- 4) **Other Approvals:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval documentation showing that the project has obtained final approvals for project construction and operation from the City of Carlsbad, the Regional Water Quality Control Board, the California Department of Health Services, the National Marine Fisheries Service, and the U.S. Fish and Wildlife Service, or documentation showing that these approvals are not needed.
- 5) **Assumption of Risk and Waiver of Liability:** The Permittee acknowledges and agrees, on behalf of itself and all successors and assigns: (i) that the project site may be subject to hazards from seismic events, liquefaction, storms, waves, floods and erosion; (ii) to assume the risks to the Permittee and the property that is the subject of this permit of injury and damage from such hazards in connection with this permitted development; (iii) to unconditionally waive any claim of damage or liability against the Commission, its officers, agents, and employees for injury or damage from such hazards; and (iv) that any

adverse effects to property caused by the permitted project shall be fully the responsibility of the landowner.

- 6) **Limits of Development:** This permit authorizes the construction and operation of the Poseidon Carlsbad Desalination Project and associated infrastructure as described in the project description of this staff report, as clarified and modified by these conditions.
- 7) **Final Plans:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval final plans for the project components located in the coastal zone. The Permittee shall undertake development in accordance with the approved plans and any changes shall be reported to the Executive Director. No material changes within the coastal zone shall occur without a Commission amendment to this coastal development permit unless the Executive Director determines that no amendment is necessary. Changes to the project requiring review for amendment would include changes in the physical, operational, or delivery capacity increases, or extension of water supply distribution pipelines, each within the coastal zone, beyond those shown on the final plans.
- 8) **Marine Life Mitigation Plan:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, The Permittee shall submit to the Coastal Commission evidence of the Regional Water Quality Control Board's approval of a Marine Life Mitigation Plan. The Marine Life Mitigation Plan shall provide for the restoration of no less than 37 acres of marine wetlands. The Plan shall detail the specific site of the mitigation. The site shall be contained within the San Dieguito Wetland Restoration Plan that was approved by the Coastal Commission on October 12, 2005 (Coastal Development Permit No. 6-04-88) and was the subject of a Final Environmental Impact Report that was prepared and certified by the San Dieguito River Park Joint Powers Authority and U.S. Fish and Wildlife Service, or such substitute site or sites approved by the Regional Water Quality Control Board. No later than the commencement of commercial operation of the desalination facility, the Permittee shall commence implementation of the Plan. The Executive Director may extend the deadline for implementation of the Plan upon Poseidon's request and showing of good cause. The Plan shall include the following:

~~ISSUANCE OF THE PERMIT, the Permittee shall submit to and obtain from the Commission approval of a Marine Life Mitigation Plan in the form of an amendment to this permit that includes the following:~~

- a) ~~Documentation of the project's expected impacts to marine life due to entrainment and impingement caused by the facility's intake of water from Agua Hedionda Lagoon. This requirement can be satisfied by submitting a full copy of the Permittee's Entrainment Study conducted in 2004-2005 for this project.~~
- b) ~~No less than 2:1 mitigation on an areal basis for the impacts identified above. To the maximum extent feasible, the mitigation shall take the form of creation, enhancement, or restoration of aquatic and wetland habitat within Agua Hedionda Lagoon. Remaining mitigation outside of Agua Hedionda Lagoon shall consist~~

~~primarily of similar aquatic and wetland mitigation at other nearby coastal lagoons.~~

- e) a) Goals, objectives and performance criteria for ~~each~~ of the proposed mitigation sites. It shall identify specific creation, restoration, or enhancement measures that will be used at ~~each~~ the site, including grading and planting plans, the timing of the mitigation measures, monitoring that will be implemented to establish baseline conditions and to determine whether the sites ~~are~~ is meeting performance criteria. The Plan shall also identify contingency measures that will be implemented should ~~any~~ of the mitigation sites not meet performance criteria.
 - d) b) "As-built" plans for ~~each~~ the mitigation site and annual monitoring reports for no less than five years or until the sites meets performance criteria.
 - e) c) Legal mechanism(s) proposed to ensure permanent protection of ~~each~~ the site – e.g., conservation easements, deed restriction, or other methods.
- 9) **Change in Seawater Withdrawal:** If at any time during the life of the project Poseidon proposes or is required to withdraw more than an average flow of 304 MGD of seawater, it must obtain first an amendment to this permit.
- 10) **Energy Minimization and Greenhouse Gas Reduction Climate Action Plan:** PRIOR TO ISSUANCE OF THE PERMIT, the Permittee shall submit to the Executive Director a Climate Action Plan in substantial conformity with the Plan dated November 2997. Within one year of the commencement of commercial operations of the desalination facility, the Permittee shall implement the Plan for the life of the project. Prior to the commencement of commercial operations, the Permittee shall provide written confirmation from the California Air Resources Board ("CARB") that the emissions calculations contained in the Plan are consistent with CARB-recommended methodologies. The Executive Director may extend these deadlines for implementation of the Plan upon Poseidon's request and showing of good cause ~~Commission a Revised Energy Minimization and Greenhouse Gas Reduction Plan that addresses comments submitted by the staffs of the Coastal Commission, State Lands Commission and the California Air Resources Board. The permit shall not be issued until the Commission has approved a Revised Energy Minimization and Greenhouse Gas Reduction Plan after a public hearing.~~
- 11) **Public Access Enhancements:** PRIOR TO COMMENCEMENT OF OPERATIONS, Poseidon shall cause to be dedicated, in accordance with the City of Carlsbad's Precise Development Plan PDP 00-02, the below-described parcels of land. The dedications shall be in the form of easements, title transfers, and/or deed restrictions, whose purpose is to further Coastal Act goals of maximizing public access and recreational opportunities along the coast in the South Carlsbad Coastal Redevelopment Area and maintaining, restoring and enhancing marine resources ~~ISSUANCE OF THE PERMIT, the Permittee shall record one or more Public Access Easement Deed(s) in favor of one or more public agency(ies) or private association(s) acceptable to the Executive Director over four sites~~

~~totaling approximately 19 acres as generally described below and as more specifically described in the coastal development permit application. The four sites are:~~

- ~~Fishing Beach: public access and parking easement in favor of the City of Carlsbad covering approximately 3.52.4 to 4 acres of land along the west shore of Agua Hedionda Lagoon.~~
- ~~Bluff Area: approximately 13 10.2 acres of land on the west side of Carlsbad Boulevard opposite the power plant, which shall be dedicated in fee title to the City of Carlsbad for recreational and coastal access uses.~~
- ~~Hubbs Site: approximately 2 acres of land along the north shore of Agua Hedionda Lagoon to be used for a fish hatchery, aquatic research, and public access, which shall be deed restricted to uses such as fish hatchery, aquatic research, and trails.~~
- ~~South Power Plant Parking Area: an access easement over approximately 0.3 acres of land on the east side of Carlsbad Boulevard near the south entrance of the power plant, which shall be dedicated to the City of Carlsbad to be used for public parking.~~

~~The Easement Deeds shall be of a form and content approved by the Executive Director, free of prior encumbrances, except for tax liens, that the Executive Director determines may affect the interest being conveyed. The Deed(s) shall provide that they shall not be used or construed to allow anyone to interfere with any rights of public access acquired through use which may exist on the property.~~

~~The Easement Deed(s) shall include stewardship plans for these easements that include the following:~~

- ~~Descriptions of the allowable and prohibited uses of the easements. These descriptions shall identify the intended public uses of each easement area and the activities and structures that will be allowed or prohibited in order to support the intended uses.~~
- ~~Descriptions of existing conditions within the easements, including any natural habitat areas, existing and proposed developments, and existing and proposed public accessways.~~
- ~~Descriptions of how the easements will be managed to provide the allowable and existing uses described above.~~
- ~~Descriptions of the funding needed to support stewardship of the easements. Based on the funding needs identified in the plan and upon approval of the plan by the Executive Director, the Permittee shall fund an endowment to provide for perennial stewardship costs.~~

- 12) **Dredging:** This permit does not authorize dredging that may be needed to maintain flows to the desalination facility's intake structure. The Permittee shall submit separate coastal development permit applications for proposed dredging operations. If dredge spoils are suitable for beach replenishment, the materials shall be placed at appropriate beach locations.
- 13) **Visual Resources:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval a Screening Plan. Desalination plant exterior mechanical equipment and facilities, including tanks, heating, air conditioning, refrigeration equipment, plumbing lines, duct work and transformers, shall be screened ~~from view~~ on all sides visible to the public. The design and material used for screening shall be architecturally compatible with the building.
- 14) **Lighting Plan:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit a Lighting Plan to the Executive Director for review and approval. Exterior lighting for the desalination facilities shall serve the purpose of operations, security and safety only. The Lighting Plan shall demonstrate that project lighting is shielded from surrounding areas, and that only the minimum amount of lighting required for safety purposes is provided to avoid adverse effects on surrounding areas. In general, lighting fixtures shall be shielded downward and away from the ocean, lagoon and adjacent properties. Construction of the desalination plant and related facilities and improvements shall be in conformance with the approved plan.
- 15) **Construction Plan:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval a Construction Plan. The Construction Plan shall identify the specific location of all construction areas, all staging areas, and all construction access corridors in site plan view in the coastal zone. The Plan shall identify any expected disruptions to public access to the shoreline and shall include measures to avoid ~~or~~, minimize, ~~or mitigate for~~ those disruptions.

The Plan shall also identify the type and location of erosion control/water quality best management practices that will be implemented during construction to protect coastal water quality, including the following:

- Silt fences, or equivalent apparatus, shall be installed at the perimeter of the construction areas to prevent construction-related runoff and/or sediment from entering the dunes and/or the Pacific Ocean.
- Grading and alteration outside of the approved construction zone is prohibited.
- Equipment washing, refueling, and/or servicing shall not take place on the beach or sandy dune area. All construction equipment shall be inspected and maintained at an off-site location to prevent leaks and spills of hazardous materials at the project site.
- The construction site shall maintain good construction housekeeping controls and procedures (e.g., clean up all leaks, drips, and other spills immediately; keep

materials covered and out of the rain (including covering exposed piles of soil and wastes); dispose of all wastes properly, place trash receptacles on site for that purpose, and cover open trash receptacles during wet weather; remove all construction debris from the beach).

- All erosion and sediment controls shall be in place prior to the commencement of construction as well as at the end of each workday. A copy of the approved Construction Plan shall be kept at the construction job site at all times and all persons involved with the construction shall be briefed on its content and meaning prior to commencement of construction. The Permittee shall notify the Executive Director at least three working days in advance of commencement of construction, and immediately upon completion of construction. The Permittee shall undertake construction in accordance with the approved Construction Plan. Any proposed changes to the approved Construction Plan shall be reported to the Executive Director. No material changes to the approved Construction Plan shall occur without a Commission amendment to this coastal development permit unless the Executive Director determines that no amendment is necessary.

16) Storm Water Pollution Prevention Plan: PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit for Executive Director review and approval a Storm Water Pollution Prevention Plan (SWPPP). At minimum the SWPPP shall include the following Best Management Practices (BMPs):

- Gravel bags, silt fences, etc. shall be placed along the edge of all work areas as determined appropriate by the City's construction inspector in order to contain particulates prior to contact with receiving waters.
- All concrete washing and spoils dumping will occur in a designated location.
- Construction stockpiles will be covered in order to prevent blow-off or runoff during weather events.
- A pollution control education plan developed by the General Contractor and implemented throughout all phases of development and construction.
- Severe weather event erosion control materials and devices shall be stored onsite for use as needed.

17) Water Quality Technical Report: PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit for Executive Director review and approval a Water Quality Technical Report as specified in the City of Carlsbad Standard Urban Stormwater Mitigation Plan (April 2003) (Carlsbad SUSMP) for the post construction ~~project site~~ desalination facility, prepared by a licensed Civil Engineer, which shall include plans, descriptions and supporting calculations. The Storm Water Management Plan shall incorporate all feasible Best Management Practices (BMPs) designed to reduce, to the maximum extent practicable, the volume, velocity and

pollutant load of stormwater leaving the developed areas of the site. The plan shall include the following criteria:

- Post-Development peak runoff rates and average volumes shall not exceed pre-development conditions.
- Runoff from all parking areas, turnouts, driveways and other impermeable surfaces (e.g., roofs) shall be collected and directed through a system of structural BMPs including vegetated and/or gravel filter strips or other media filter devices or other equivalent means. The filter elements shall be designed to 1) trap sediment, particulates and other solids and 2) remove or mitigate contaminants through infiltration and/or biological uptake. The drainage system shall also be designed to convey runoff in excess of this standard from the developed site in a non-erosive manner.
- Provisions for maintaining the drainage and filtration systems so that they are functional throughout the life of the approved development. Such maintenance shall include the following: 1) the drainage and filtration system shall be inspected, cleaned and repaired prior to the onset of the storm season, no later than September 30th each year and 2) should any of the project's surface or subsurface drainage/filtration structures fail or result in increased erosion, the applicant/landowner or successor-in-interest shall be responsible for any necessary repairs to the drainage/filtration system and restoration of the eroded area.
- A drainage system approved by the City Engineer to ensure that runoff resulting from 10-year frequency storms of 6 hours and 24 hours duration under developed conditions, are equal to or less than the runoff from a storm of the same frequency and duration under existing developed conditions. Both 6-hour and 24-hour storm durations shall be analyzed to determine the detention basin capacities necessary to accomplish the desired results.

The Permittee shall implement and maintain the Plan for the life of the project.

Item W4a
Recommended Revised Findings for Coastal Development
Permit E-06-013
Poseidon Resources (Channelside), LLC

ATTACHMENT 3:
Ex Parte Forms

FORM FOR DISCLOSURE OF EX PARTE COMMUNICATIONS

Name or description of project , LCP, etc: Poseidon Resources Corporation
Carlsbad Desalination Facility
CDP E-06-013, Agenda Item Th17a

Date and time of receipt of communication: June 6, 2008; 4:00 p.m.

Location of communication: Rancho Palos Verdes, CA

Type of communication (letter, facsimile, etc.): Face-to-face meeting; Commissioner
Larry Clark was present

Person(s) initiating communication: Susan McCabe, McCabe & Company
Rick Zbur, Latham & Watkins LLP
Peter MacLaggan, Poseidon

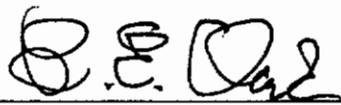
Detailed substantive description of content of communication:

(Attach a copy of the complete text of any written material received.)

Applicant's representatives discussed Applicant's concerns with Staff's Recommended Revised Findings for the project's Coastal Development Permit, and the requested revisions to those findings submitted to the Commission on May 29, 2008 by Applicant, the City of Carlsbad, and several of Applicant's public water district partners. Applicant also discussed the rationale for the requested revisions to the findings set forth in its May 29, 2008 letter, including:

- The fact that dredging of the Agua Hedionda Lagoon is consistent with the Marine Resource policies of Coastal Act Section 30233, and that a finding to the contrary (as proposed by Staff) would conflict both with the Commission's 17 prior approvals permitting dredging of the Lagoon, and the fact that Special Condition 12 does not permit Lagoon dredging under the project's Coastal Development Permit; and
- The fact that the administrative record contains substantial evidence supporting the Commission's conclusion that the project complies with Coastal Act Section 30260's three-part test and is subject to the Coastal "override," and that the requested revisions to the findings clarify that nothing in the Coastal Act prevents the Commission from finding that the project is consistent with all applicable Coastal Act policies and that it complies with Coastal Act Section 30260.

6-12-08
Date


Commissioner Larry Clark

FORM FOR DISCLOSURE OF EX PARTE COMMUNICATIONS

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Carlsbad Desalination Facility
CDP E-06-013, Agenda Item Th17a

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- The fact that the administrative record contains substantial evidence supporting the Commission's conclusion that the project complies with Coastal Act Section 30260's three-part test and is subject to the Coastal "override," and that the requested revisions to the findings clarify that nothing in the Coastal Act prevents the Commission from finding that the project is consistent with all applicable Coastal Act policies and that it complies with Coastal Act Section 30260.

6-12-08

Date



Commissioner Larry Clark

Item W4a

**Recommended Revised Findings for Coastal Development
Permit E-06-013
Poseidon Resources (Channelside), LLC**

ATTACHMENT 4:

**June 25, 2008 Letter from Latham & Watkins
with requested revisions to Revised Findings**

Rick Zbur
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LATHAM & WATKINS LLP

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June 25, 2008

VIA EMAIL AND FEDEX

Mr. Tom Luster
California Coastal Commission
45 Fremont Street, Suite 2000
San Francisco, CA 94105-2219

File No. 036182-0006

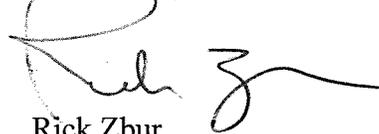
Re: Carlsbad Desalination Project Coastal Development Permit Application
No. E-06-013
Applicant's Edits to Revised Findings Regarding CARB's Authority

Dear Tom:

As we discussed on our call last week, attached please find certain revisions to the Jointly Requested Findings submitted by Poseidon Resources (Channelside) LLC, the City of Carlsbad, Carlsbad Municipal Water District and Vallecitos Water District, submitted on May 29, 2008.

The revisions relate to CARB's authority in connection with energy use and greenhouse gas emissions. The changes will appear as hand written edits in Section 4.5.5 of the Jointly Requested Findings. Please do not hesitate to contact me if you have questions or concerns.

Very truly yours,



Rick Zbur
of LATHAM & WATKINS LLP

Attachment

cc: Peter MacLaggan

describe how Poseidon will screen the facility's industrial and mechanical equipment and how the facility and surrounding area will be lighted to provide the necessary level of safety and security while minimizing offsite glare and other adverse affects. Both plans must be submitted to the Executive Director for review and approval before construction can begin.

Conclusion

Based on the above, the Commission finds that the project, as conditioned, will conform to the Coastal Act's scenic and visual resource provisions.

4.5.5 Energy Use and Greenhouse Gas Emissions (Coastal Act Section 30253(4))

Coastal Act Section 30253(4) states:

New development shall: ... (4) Minimize energy consumption and vehicle miles traveled.

Section 30253(4)'s requirement to minimize energy consumption reduces impacts to coastal resources caused by greenhouse gas emissions. Most of the electricity Poseidon would use would be produced by natural gas-fired power plants, with some produced by coal, hydroelectric, or renewable sources. According to methods developed by the California Climate Action Registry (CCAR), Poseidon's proposed electrical use would result in approximately no less than 200,000,000 pounds (about 90,000 metric tonnes) of carbon dioxide emissions per year.⁶⁸¹⁴³ ~~Poseidon has stated, however, that it believes~~ In response to the Commissions September 28, 2006 Request for Additional Information, Poseidon submitted a study on October 9, 2007 that indicates its net emissions will be substantially lower, about 134,400,000 pounds (about 60,00061,000 metric tonnes) per year.¹⁴⁴ The difference between the Commission's conclusion and Poseidon's estimate is further described below.

Note: The anticipated emissions described herein, in the Commission staff's view, likely represent the very low end of the range of actual greenhouse gas contributions

⁶⁸¹⁴³ Protocols developed by the California Climate Action Registry estimate carbon dioxide emissions from California's electricity sources total 804.54 pounds per megawatt-hour. Poseidon's expected electrical use of about 250,000 megawatt-hours per year would therefore total just over 200,000,000 pounds of carbon dioxide. These calculations are described in more detail below.

For comparison, 200,000,000 pounds of carbon dioxide is about the same amount produced during 235 million vehicle miles traveled or is the amount of carbon stored each year in 75,000 acres of growing forest (see the U.S. EPA and U.S. Agency for International Development *Climate Technology Gateway* at www.usctcgateway.net).

¹⁴⁴ See Poseidon Resources Corporation, Updated Response to Coastal Commission's September 28, 2006 Request for Additional Information, Section 13, CDP Energy Use, GHG Production & Mitigation, October 9, 2007; see also Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. D (Climate Action Plan).

Poseidon would generate. These analyses evaluate only those carbon emissions that would be generated by Poseidon's electrical use for pumping and desalinating water and transporting it to Maerkle Reservoir, and do not include emissions that would result from project construction, manufacture of reverse osmosis membranes, dredging needed to maintain the intake channel, etc. Also, they include only carbon dioxide emissions, not emissions of other greenhouse gases generated by power plants. The Commission staff's analyses also credit Poseidon with emission reductions that may occur through its potential use of a high-efficiency energy recovery device that is still being tested and that Poseidon has not yet committed to use.

Emissions Commission staff contends that emissions from this facility's electrical use would be greater than those created by other water sources and would contribute to California's greenhouse gas emissions. They would also Commission staff also contends that these emissions would cause significant adverse effects to many coastal resources the Coastal Act is meant to protect. The global heating, sea level rise, and ocean acidification resulting from greenhouse gas emissions affects public access (Coastal Act Sections 30210-30214), recreation (Sections 30212.5, 30213, 30220-30222), marine resources (Sections 30230-30231), wetlands (Sections 30231, 30233), ESHA (Section 30240), agriculture (Sections 30241-30242), natural land forms (30251), and existing development (Sections 30235, 30253).

Poseidon's position is that it shares the Governor's commitment to address climate change, but disagrees with Commission staff that the project will be a contributing factor to climate change for several reasons: the project is consistent with its proposed Climate Action Plan, which will actually result in a reduction in regional greenhouse gas emissions, and the project includes numerous components to ensure that it will utilize only the minimum energy necessary.¹⁴⁵ Moreover, Poseidon maintains that the Commission's authority to impose greenhouse gas emission standards or emissions-related mitigation is limited.¹⁴⁶ Due to the importance of the project and Poseidon's stewardship of the environment, Poseidon has voluntarily proposed a precedent-setting Climate Action Plan pursuant to which Poseidon commits to measures to offset the project's minimal net carbon emissions so that the project is net carbon neutral.¹⁴⁷

The Commission may assure compliance with CARB and air pollution control district requirements:

The State Air Resources Board and air pollution control districts established pursuant to state law and consistent with requirements of federal law are the principal public agencies responsible for the establishment of ambient air quality

¹⁴⁵ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at pp. 20-21

¹⁴⁶ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at pp. 20-25

¹⁴⁷ See *id.*

and emission standards and air pollution control programs. The provisions of this division do not authorize the commission or any local government to establish any ambient air quality standard or emission standard, air pollution control program or facility, or to modify any ambient air quality standard, emission standard, or air pollution control program or facility which has been established by the state board or by an air pollution control district.

Coastal Act § 30414(a).

With regard to greenhouse gas emissions specifically, Assembly Bill 32, the California Global Warming Solutions Act of 2006, establishes a new air pollution control program that clearly places the authority to regulate and control greenhouse gas emissions, and to protect coastal resources from greenhouse gas emissions-related impacts, with CARB:

Global warming poses a serious threat to the economic well-being, public health, natural resources, and the environment of California. The potential adverse impacts of global warming include . . . a rise in sea levels resulting in displacement of thousands of coastal businesses and residences, damage to marine ecosystems and the natural environment . . .

. . .

The State Air Resources Board is the state agency charged with monitoring and regulating sources of emissions of greenhouse gases that cause global warming in order to reduce emissions of greenhouse gases

Cal. Health & Safety Code §§ 38501(a), 38510 (emphasis added). Though primary jurisdiction over air quality and greenhouse gases rests with CARB, Poseidon is willing to address the Commission staff's concerns with a voluntary Climate Action Plan. CARB has the option to "recommend ways in which actions of the commission or any local government can complement or assist in the implementation of established air quality programs," but CARB has not imposed any greenhouse gas emission requirements applicable to the proposed project, nor has it requested that the Commission assist it in implementing greenhouse gas emissions-based standards or mitigation. There are no existing CARB promulgated greenhouse gas emissions standards that would apply to the project.

Due to the importance of the project and Poseidon's stewardship of the environment, Poseidon has voluntarily proposed a precedent-setting Climate Action Plan pursuant to which Poseidon commits to measures to offset the project's minimal net carbon emissions

so that the project is net carbon neutral. Poseidon's Climate Action Plan is a voluntary project component.¹⁴⁸

As described below, Poseidon will demonstrate that its proposed project will conform to the Section 30253(4) requirement to minimize energy consumption to avoid or mitigate adverse effects to coastal resources caused by energy-related greenhouse gas emissions through its conformity to Special Condition 10, ~~Special Condition 10~~, as described below. ④

Issue Background

One of California's biggest overall energy uses, and one of its most intensive energy uses, is moving water around the state. With most of its water in the north and most of its population in the south, California has established conveyance systems to move water hundreds of miles and over hundreds of feet of elevation gain. Because water is relatively heavy, it requires significant amounts of electricity to transport – for example, the State Water Project uses up to about 5 billion kilowatt-hours each year to move millions of acre-feet of water from Northern to Southern California. Its average demand per acre-foot is about 3,400 kilowatt-hours, which is about the same as the annual residential use for each person in the U.S.

Compared to California's existing water supply systems, seawater desalination is an even more energy intensive source of water. Although desalination's energy needs have decreased significantly in the past several years, reverse osmosis facilities such as Poseidon's proposed project still require much more electricity than is needed for other water sources. For example, Poseidon's proposal is expected to require no less than about 4,400 kilowatt-hours per acre-foot, about ~~3029%~~ more than the State Water Project, which provides a part of the water imported to the San Diego area. It would require about 120% more kilowatt-hours per acre-foot than water imported to the area from the Colorado River, which requires about 2000 kilowatt-hours per acre-foot and provides an additional amount of imported water to the area. ①

In many parts of the state, the electrical grid needed to provide water is under a great deal of strain. Southern California, in particular, will be challenged to meet its energy needs due to its need to reduce its reliance on aging power plants and to develop new energy sources, developing updated transmission infrastructure, and other similar difficulties.⁶⁹¹⁴⁹ Poseidon's proposal would rely on the local and regional electrical grid, which generates most of its electricity from fossil fuel-fired power plants. The proposed facility's electrical use would therefore result in substantial greenhouse gas emissions due to its use of this type of electricity. In response, Poseidon has proposed a Climate Action Plan, which is discussed in greater detail later in these Findings.

¹⁴⁸ See *id.* at pp. 22-25.

⁶⁹¹⁴⁹ See, for example, the California Energy Commission's 2007 *Draft Integrated Energy Policy Report*.

Background of Greenhouse Gas-related Issues and Impacts: The Fourth Assessment Report of Working Group I of the Intergovernmental Panel on Climate Change (IPCC) (2007) represents the consensus of fifty top international scientists working in fields related to climate change. More than one hundred national governments, including the United States, have approved the report. The report concludes that the evidence of global climate system warming is unequivocal, as is now evident from observations of increases in global average air and ocean temperatures, widespread melting of snow and ice, and rising global mean sea level (IPCC, 2007). Further, the report concludes that “most of the observed increase in globally averaged temperatures since the mid-20th century is very likely [greater than 90% probable] due to the observed increase in anthropogenic greenhouse gas concentrations.” The report cites numerous long-term changes in climate, including changes in Arctic air temperatures, decreases in the amount of Arctic sea ice, widespread changes in precipitation amounts, increase in ocean salinity, changes in wind patterns and increased incidences of extreme weather including droughts, heavy precipitation, heat waves and tropical storms.

Many studies consider a climate heating of more than 2 degrees Celsius above pre-industrial temperatures as representing “dangerous” level of climate disruptions. Based on six emissions scenarios ranging from “business as usual” to aggressive shifts to cleaner technologies, the best estimates of global average temperature increase are between 1.8 and 4.0 degrees Celsius by 2099. A more recent study has found that comparing actual “on the ground” data compiled during the last ten years shows that the model used to develop these scenarios has vastly underestimated the rate and degree of global warming effects. It suggests that limiting global heating to no more than 2 degrees Celsius will require measures that result in the equivalent of complete elimination of industrial emissions (see Weaver et. al. *Long term climate implications of 2050 emission reduction targets*, in *Geophysical Research Letters*, October 6, 2007).

These six emission scenarios also estimate that sea level will rise between 0.18 and 0.59 m. This amount of sea level rise does not include contributions from rapid melting of either the Greenland or Antarctic ice caps. (Bindschadler, 2006; Ekström et al., 2006; Joughin, 2006; Kerr, 2006). In addition, the ocean’s absorption of carbon dioxide leads to a reduction in ocean pH with concomitant consumption of dissolved carbonate ions, which adversely affects calcite-secreting marine organisms, marine water quality and the abundance and distribution of marine species (The Royal Society, 2005).

Impacts to the California Coastal Zone: In July 2006, the California Climate Change Center released a series of reports describing ongoing and future effects of global warming on the California environment (Baldocchi and Wong, 2006; Battles et al., 2006; Cavagnaro et al., 2006; Cayan et al., 2006a; Cayan et al., 2006b; Cayan et al., 2006c; Drechsler et al., 2006; Franco and Sanstad, 2006; Fried et al., 2006; Gutierrez et al., 2006; Joyce et al., 2006; Lenihan et al., 2006; Luers et al., 2006; Luers and Moser, 2006; Medellin et al., 2006; Miller and Schlegel, 2006; Moritz and Stephens, 2006; Vicuña, 2006; Vicuña et al., 2006; Westerling and Bryant, 2006). Drawing on three projected warming scenarios (low, medium, and high), the reports projected severe impacts by the end of the century in the areas of public health, water resources, agriculture, forests and landscapes, and sea level. Many of these effects will adversely impact resources of the coastal zone. The adverse effects include worsened air quality, changes in

species distribution, significant reductions in plant and animal diversity, loss of various kinds of agriculture (such as fruit trees), expansion of invasive plant and animal species, increase in plant pathogens, increase in number and severity of wildfires, rising sea level, coastal flooding, and increased coastal erosion. In addition, absorption of carbon dioxide by the ocean is causing a reduction in ocean pH with concomitant consumption of dissolved carbonate ions, which is adversely impacting calcite-secreting marine organisms. The warming of ocean waters is also adversely affecting marine resources.

As identified in the 2006 Climate Change Center reports, air quality will be compromised by soot from wildfires, which the report predicts will increase. Coastal agriculture, already threatened by land development and habitat fragmentation, will be subject to further impacts from climate change. Impacts to coastal agricultural will include impacts to wine grapes, which will be subject to premature ripening and decreased fruit quality; adverse impacts to fruit and nut trees, many of which will no longer be able to produce once the number of “chill hours” per day drops below that necessary for proper ripening; and adverse impacts to milk production. Other threats to coastal agriculture identified by the Climate Change Center reports include the expansion of the ranges of agricultural weeds and an increase in plant pests and pathogens. Coastal forests and scrublands will be increasingly susceptible to wildfires due to longer and warmer periods of summer drying. This, together with the warmer climate itself, will lead to shifts in vegetation type, probably resulting in the loss of coastal scrub as it is converted to grasslands. Inasmuch as suitable habitat exists, species requiring cooler climates can migrate northward or to higher elevations. Their ability to do this, however, will be limited by the speed with which they are able to disperse, the suitability and interconnectivity of available habitat, and their ability to compete with non-native invasive species which, by definition, are able to disperse and exploit habitat efficiently. All of these effects will lead to a decline in forest productivity, with a concomitant loss in habitat.

The most direct impacts of global warming focused on the coastal zone are sea level rise and its associated impacts, ocean warming, and ocean acidification:

- **Sea Level Rise:** According to tide gage data, global mean sea level has been rising at the rate of approximately 1.8 mm/yr for the past century (IPCC, 2001). Although no acceleration of this rate is apparent from the tide gage data (IPCC, 2001), satellite measurements starting in the early 1990s indicate an annual rate of approximately 2.8 mm/yr (Church and White, 2006). Sea level is clearly rising, and the rate of increase may in fact be accelerating. Since land can also change elevation due to either uplift or subsidence, global sea level change affects various coastal areas differently. Much of the California coast is rising; however the rate of uplift is, everywhere except northernmost California, lower than the rate of sea level rise. The *relative* historic rate of sea level rise (relative sea level rise is global sea level minus local land uplift or plus local land subsidence) has been calculated by Commission staff to range from a high of 2.16 ± 0.11 mm/yr in San Diego to a low of 0.92 ± 0.17 mm/yr in Los Angeles. Relative sea level is actually falling at Crescent City due to the high rates of tectonic uplift at that locality. (California Coastal Commission, 2001).

Even the 0.18 to 0.59 meter rise in sea level by 2100 predicted by the IPCC will have a large impact on the California coast. The effects of a much larger increase in sea level due to large contributions from the Greenland and/or Antarctic ice sheet would be truly catastrophic. The 2001 Coastal Commission report concluded:

The most obvious consequence of a large rise in sea level will be changes in areas that are submerged. Lands that now are only wet at high tide could be wet most of the day. Structures that are built above the water, like docks and piers, will be closer to the water, or eventually submerged. A second consequence will be an increase in wave energy. Wave energy is a factor of wave height. Wave heights along the California coast are influenced greatly by bottom depths and for most locations along the coast, the heights of nearshore waves are “depth limited”. When the water depth increases, the wave height can be higher. Thus, higher waves impact the coast during high tide than during low tide. Wave energy increases with the square of the wave height. Thus, a 2-foot (0.6-meter) wave would have 4 times the energy of a 1-foot (0.3-meter) wave. Small changes in water level can cause significant changes in wave energy and the potential for shoreline damage from wave forces. A 1-foot to 3-foot (0.3 to 0.9 meter) rise in sea level, such as projected to occur over the next 100 years, would cause enormous changes in nearshore wave energy. The consequences of a 1-foot to 3-foot (0.3 to 0.9 meter) rise in sea level are far reaching. Along the California coast, the best analogy for sea level rise is thought to be El Niño, where a significant rise in sea level will be like El Niño on steroids. One of the factors that contributed to the amount of damage caused by the 1982/83 El Niño was that several storms coincided with high tide events and the elevated water levels (from tides and low pressure system combined) brought waves further inland than would have occurred otherwise...

Beaches and Coastal Bluffs: Open coastal landforms like beaches and bluffs will be exposed to greater and more frequent wave attack. There will more potential for erosion and shoreline retreat. For gently sloping beaches, the general rule of thumb is that 50 to 100 feet of beach width will be lost from use for every foot of sea level rise... Some global circulation models predict significant increases in run-off from coastal watersheds in California (Wolock and McCabe, 1999) ...

In general, erosion of the landward edge of a beach, dune, or coastal bluff creates additional beach area, and so even in a period of sea level rise such as the present, in which the seaward extent of the beach is reduced by flooding and erosion, new beach creation can result in a relatively constant beach width. However, when threats to existing development from erosion lead to the construction of shoreline protective devices that halt the landward migration of the back beach, continued flooding of the seaward beach results in a reduction in beach width. Thus, on beaches experiencing erosion due to rising sea level, the protection of threatened structures will result in the loss of beaches wherever property owners choose to harden the coast to prevent coastal erosion. This loss of beach has immense negative impacts, including loss of recreational value, tourism, marine mammal haul-out area, sandy beach habitat, and buffering capacity against future bluff erosion.

The 2001 Coastal Commission report goes on to indicate other potential impacts of sea level rise on the California coast:

Wetland changes also will be affected by inland development. Historically, wetland areas migrated both upward and landward as they were inundated. If the inland area has a slope and soil composition that can support a wetland and is not already developed, then inland migration may be possible. If there is a steep bluff or some type of fixed development, such as a highway or bulkhead, inland of a wetland, inland migration will not be possible and the wetland area will diminish over time.

Another physical change to wetland in response to a rise in sea level is an increase in the tidal currents, with the potential for increased scour. Also, for estuarine systems there will be a shift in the location of the salt water-freshwater interface, and an inland movement of the zone of brackish water...

Ports, Harbors and Marine Facilities: Much of the infrastructure of a port or harbor will be affected by a change in sea level. So too will marine terminals and offshore structures. All of the horizontal elements, such as the decking of wharves and piers, will be exposed more frequently to uplift forces larger than those occurring now. Compared to current conditions, ships will ride higher at the dock and cargo-handling facilities will have less access to all parts of the ship. Loading and unloading may have to be scheduled for low tide periods to allow greatest access into the ship, or else mooring and cargo handling facilities will need to be elevated.

If breakwaters or jetties protect the harbor, these structures will become less efficient as water levels increase. The breakwaters and jetties will need to be enlarged and heightened to keep up with the rise in sea level, or the harbor will have to accept a higher level of overtopping and storm surge, and a higher probability of storm damage. The increase in water level could also increase the tidal prism of the harbor, resulting in increased scour at the foundations of any structures in the harbor. So, it may also be necessary to reinforce the base of the breakwater or jetty to insure stability. Benefits that could occur from a rise in sea level would be the opportunity for harbors to accommodate deeper draught ships and a decrease in dredging to maintain necessary channel depths.

Seawalls and other engineered shoreline protection: [Seawall] foundations would be exposed to greater scour and the main structure would be exposed to greater and more frequent wave forces. As with breakwaters and jetties, these structures will need to be reinforced to withstand these greater forces, or a lower level of protection will have to be accepted for the backshore property.

- **Ocean Warming:** In December 2006, the Commission held the first in a series of workshops on global warming. One of the well-recognized connections between the atmosphere and the ocean is heat exchange. Global warming of the atmosphere is expected to cause an increase in ocean warming as the ocean absorbs greater amounts of thermal

energy from the atmosphere. At the workshop, Dr. James Barry (Associate Scientist, Monterey Bay Aquarium Research Institute) presented a summary of observed and predicted effects of ocean warming on California coastal ecosystems. Dr. Barry inventoried intertidal animals along the Monterey coast, and compared his results to a 1932 baseline inventory. He found that species that increased in abundance in southern California had increased markedly since the baseline study. Over the same time, there was a dramatic decline in species more associated with northern California. This demonstrates that the observed warming of the ocean over the past 60 years has resulted in a shift in the geographic ranges of species. With continued warming, species can be expected to continue to migrate northward as long as suitable habitat is available.

Some instances of remarkable biodiversity are due to the fortuitous combination of suitable ocean temperature and suitable geomorphic conditions. For example, one of the most diverse shallow water habitats in California is found in the rocky-bottom waters around the northern Channel Islands. This is a zone of mixing of species characteristic of a “southern California realm” and a “northern California realm.” The abundant rocky bottom habitat in the shallow waters ringing the islands provides a niche in which this diversity is expressed. If, because of global warming, the suitable temperature zone migrates northward, it will be moved off of the abundant rocky bottom habitat and the diversity and ocean productivity might decrease significantly.

Declines in ocean productivity due to habitat shifts are an indirect consequence of ocean warming. Ocean warming can cause a direct loss of primary productivity as well. Warming of the surface of the ocean results in increased ocean stratification, limiting the upwelling of deep, nutrient-rich waters that are responsible for California’s rich coastal productivity. Roemmich and McGowan (1995) report a 1.2 to 1.4 degree centigrade increase in ocean temperature between 1950 and 1994. This was accompanied by a 75% reduction in zooplankton biomass. Reductions in phytoplankton and zooplankton biomass have profound cascading effects throughout the food chain. Short term warming events, such as El Niño events, have resulted in abrupt decline in commercial fish species, marine mammals, and birds (Laws, 1997; Nezlin et al., 2005). Similar effects might accompany global warming on a longer time scale, vastly affecting California’s coastal resources.

Ocean warming could also create a disconnect between historic feeding and breeding grounds for many species. Welch and others (1998) reported on potential changes in sockeye salmon distribution due to future global warming. Sockeye salmon, which spend 2-3 years in waters of the northern Pacific, migrate northwards to areas of high productivity, such as the Bering Sea, in the summer. Productivity decreases with temperature increase, however, and as the Bering Sea warms, migration routes would have to be longer. Eventually, the metabolic cost of migrating further northwards to feeding grounds could make the migration infeasible. When summer feeding grounds are disconnected from winter breeding grounds, a population crash may be anticipated. A population crash in such species would not only impact commercial fishing in California, but would ripple up through the food chain, impacting protected coastal resources such as marine mammals and birds.

- **Ocean Acidification:** Just as there is an exchange of thermal energy between the atmosphere and the oceans, there is an ongoing exchange of gases between the atmosphere and the ocean. Each year some 92 billion metric tonnes of CO₂ annually are directly absorbed by the ocean from the atmosphere. At the same time, approximately 90 billion metric tonnes are released back to the atmosphere (Schlesinger, 1997). The net increase in dissolved CO₂ in the ocean is a direct result of increases in the atmosphere related to changes humans are making to the carbon cycle—most notably fossil fuel burning and land use changes (deforestation, mostly in the tropics). The ocean is an enormous reservoir that can absorb a vast amount of CO₂, although the rate of ocean mixing is too slow to prevent the current buildup in the atmosphere. Without this net absorption of CO₂ by the oceans, the atmospheric buildup—and global warming—would be far greater than it is now.

Over the past 200 years, the oceans have taken up approximately half of the industrial age CO₂ emissions, substantially reducing the net atmospheric concentrations of CO₂. This effect does not come without a cost, however. When CO₂ is absorbed by the ocean, some of it combines with water to form carbonic acid (H₂CO₃). This results in only a modest decrease in ocean pH, however, because most of the carbonic acid recombines to form bicarbonate ions (HCO₃⁻). In the process, carbonate ions (CO₃²⁻) are consumed, with the net result being that absorption of CO₂ by the ocean consumes carbonate ions and reduces the pH of the ocean. The decrease in pH is minor because of the “buffering capacity” of these carbonate reactions, but appears to have decreased mean average surface water pH by 0.1 pH units over the past 200 years (Caldeira and Wickett, 2003). Because the pH scale is logarithmic, this decrease in ocean pH (commonly called “ocean acidification,” but more properly referred to as a decrease in alkalinity) means that hydrogen ion activity (which defines acidity) has increased by some 30% in this time frame (The Royal Society, 2005).

The effects of decreasing ocean alkalinity and carbonate ion concentration are twofold. First, many species are directly affected by the reduction in pH. In his presentation before the Commission in December 2006, Dr. Barry identified several physiologic stresses to which some species are susceptible. These stresses include respiratory stress (reduced pH limits oxygen binding and transport by respiratory proteins, such as hemoglobin, leading to reduced aerobic capacity), acidosis (disruption of acid/base balance which impairs function and requires energy to restore or maintain optimal pH balance), and metabolic depression (reduced pH associated with increased environmental CO₂ can cause some animals to enter a state of torpor or semi-hibernation). In addition to these physiologic effects, calcite-secreting organisms (including many phytoplankton, zooplankton, clams, snails, sea stars, sea urchins, crabs, shrimp, and many others) have more difficulty secreting their shells or tests under reduced carbonate ion concentrations. Deep-sea species will be particularly affected because increasing CO₂ levels in seawater decreases the saturation state of seawater with respect to calcium carbonate (CaCO₃) and raises the saturation horizon closer to the surface. The CaCO₃ saturation horizon is a depth in the ocean above which CaCO₃ can form, but below which CaCO₃ dissolves. Increasing surface CO₂ levels could have serious consequences for organisms that make external CaCO₃ shells and plates (The Royal Society, 2005). The consequences of reduced calcification are not fully known, but are likely to include changes

to plankton communities, higher metabolic costs for water-breathing species, resulting in lower growth, survival and reproduction, and higher metabolic costs for calcite secreting organisms. The effect on food webs is unclear, but it is very likely that these effects will result in a loss of biodiversity and complexity in California's coastal marine ecosystems.

Analysis of Poseidon's Anticipated Greenhouse Gas Emissions and Poseidon's Response

As noted above, Commission staff estimates that Poseidon's electricity use would generate about 200,000,000 pounds (approximately 90,000 metric tonnes) of carbon dioxide emissions each year, based on Poseidon's use of approximately 250,000 megawatt-hours per year from the San Diego Gas & Electric Company (SDG&E) energy portfolio. On the other hand, Poseidon, relying on the California Climate Action Registry (CCAR) Protocol, estimates that its electricity use would generate approximately 61,004 metric tons of carbon dioxide emissions each year, based upon its use of 246,156 megawatt-hours per year from SDG&E, which has a CCAR certified emissions factor of 546.46 lbs of CO₂/MWH. Since Poseidon intends to buy all of its energy from SDG&E system power, Poseidon states that the appropriate emission factor to use for the project's indirect carbon emissions from its electricity purchases is SDG&E's annual emission factor for delivered electricity as stated in its CCAR Annual Emissions Report.¹⁵⁰ SDG&E last filed an Annual Emissions Report with the CCAR on March 7, 2007, and it provides an emission rate of 546 lbs of CO₂/MWH. In October 2007, Poseidon submitted several letters and memoranda to Commission staff describing a proposed Climate Action Plan, with the proposed facility's expected electricity use, some possible measures that would reduce its expected use, and measures that Poseidon may use to address its greenhouse gas emissions. These are described in more detail below.

Poseidon's most recent estimates show that it expects the project would use 4,833 kilowatt-hours to produce each acre-foot of potable water, but that this figure would be lowered to about 4,400 kilowatt-hours by implementing measures described below. This includes using the power plant's Unit 4 pumps to bring water into the intake channel, pumping that water into the proposed facility, ~~pretreating~~pretreating the water, producing desalinated water using reverse osmosis membranes, and pumping the water from the water from the facility to ~~the~~ delivery points in Carlsbad and ~~nearby communities~~beyond. At 4,833 kilowatt-hours per acre-foot, Poseidon's electrical use would total 270,648 megawatt-hours per year.⁷⁰¹⁵¹ Poseidon's estimates also show that its expected continual electrical demand would be between 28.1 and 33.8 megawatts, with an average demand of about 30 megawatts. Using these figures,

¹⁵⁰ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at pp. 23-24.

⁷⁰¹⁵¹ 4,833 X 56,000 acre-feet per year / 1,000 kilowatts per megawatt = 270,648.

Poseidon's electrical use would range from 246,156 to 296,088 megawatt-hours per year, with an average annual use of 262,800 megawatt-hours.⁷⁴¹⁵²

Poseidon also described's Climate Action Plan describes several measures that it may use to reduce its electrical use. Those measures include a high-efficiency energy recovery device that Poseidon is still testing, but which could reduce its electrical use by about 10%, to about 4400 megawatt-hours per acre-foot of production. Although Poseidon has not yet committed to using this device, the emissions analysis in these Findings credits Poseidon with the emission reductions that would occur due to its use. Using the 4400 megawatt-hour per acre-foot figure would result in Poseidon's electrical use being 246,400 megawatt-hours per year, or approximately 250,000 megawatt-hours per year, which is used as the basis for the analyses in these findings. This On Commission staff's calculation, this would result in carbon dioxide emissions of about 200,000,000 pounds (about 90,000 metric tonnes) per year.⁷²¹⁵³

As noted above, the analyses in these Findings do not include several emission sources that could add significantly to Poseidon's total. The analyses do not include emissions resulting from project construction and manufacture of materials used.

Recent letters and memoranda from Poseidon (see October 21 and 22, 2007) provide a much lower estimate of its anticipated greenhouse gas emissions. Poseidon contends, relying on the most recent SDG&E submittal to the California Climate Action Registry (CCAR), contends that its emission rate should be based on 546 pounds of carbon dioxide emissions per megawatt-hour, based on emissions expected from the energy sources in SDG&E's energy supply portfolio and as described in the most recent CCAR-certified emissions annual report. This would result in about 134,400,000 pounds (about 60,000 61,000 metric tonnes) of carbon dioxide per year instead of 200,000,000 pounds (about 90,000 metric tonnes). ~~Since Poseidon intends to buy all of its energy from SDG&E system power, Poseidon states that the appropriate emission factor to use for the project's indirect carbon emissions from its electricity purchases is SDG&E's annual emission factor for delivered electricity as stated in the annual CCAR Report.~~⁷³ ~~SDG&E last filed an Annual Emissions Report with the CCAR on March 7, 2007, and it provides an emission rate of 546 lbs of CO2/MWH~~ 90,000 metric tonnes). However, in Commission staff's view, in comparing the SDG&E portfolio with the CCAR's average California portfolio, the SDG&E portfolio appears to result in an even higher emission figure than the California average.⁷⁴¹⁵⁴ For

⁷⁴¹⁵² At a steady rate of electrical use, 30 megawatts X 24 hours per day X 365 days per year = 262,800.

⁷²¹⁵³ Based on the CCAR average rate of 804.54 pounds per megawatt-hour of carbon dioxide emissions from California's electrical sources.

⁷³ ~~See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at pp. 23-24.~~

⁷⁴¹⁵⁴ Poseidon provided the following percentages of SDG&E's electricity sources, and the California averages are from the California Energy Commission's 2006 *Gross System Power Report*:

| Resource Type: | SDG&E Percent: | State Percent: |
|----------------|----------------|----------------|
|----------------|----------------|----------------|

example, coal and natural gas, which have average emission rates much higher than 804.54 pounds per megawatt-hour,⁷⁵¹⁵⁵ make up a larger proportion of San Diego’s portfolio than the state portfolio. Additionally, SDG&E testimony before the California Public Utilities Commission suggests its carbon dioxide emissions are in the range of 1100 pounds per megawatt-hour, based on an average of a range of natural gas technologies and heat rates.⁷⁶¹⁵⁶ Elsewhere, SDG&E’s emissions are cited as 915 pounds per megawatt-hour for electricity it purchases.⁷⁷¹⁵⁷ It appears Commission staff, therefore, contends that Poseidon’s proposed use of the CCAR factor is not adequate to describe its expected emissions. Poseidon disagrees, stating that Commission staff did not follow the CCAR protocol or rely on the CCAR-certified SDG&E emission factor. Poseidon believes that because CCAR is the only state agency authorized by the Legislature to establish protocols for determining carbon emission baselines, Poseidon contends the Commission staff analysis is in error. The CCAR-certified figure Poseidon uses the CCAR certified emissions rate for SDG&E may be in error. The CCAR certified figure is derived from SDG&E’s 2005 self-reported Annual Entity Emissions report, which states that SDG&E expects emissions of 546 pounds per megawatt-hour from owned and purchased generation sources; however, that figure is not supported by other SDG&E sources or by other agencies, including the California Energy Commission and State Lands Commission, in their determinations related to emissions from different types of electricity sources. For example, the State Lands Commission in its October 30, 2007 hearing used 815 pounds per megawatt-hour as the basis of its review, with a “best-case” low emission rate of 690 pounds and a high rate of 1100 pounds. Poseidon submitted evidence demonstrating that the CCAR calculations of 546 pounds per megawatt-hour are not in error, however, since CCAR is the only state agency that is authorized by the California State Legislature to establish protocols for establishing carbon emission baselines, and the source of the derivation comes from SDG&E’s credible self-reported Annual Entity Emissions report.¹⁵⁸

In selecting an appropriate rate to use for these analyses, Commission staff states that it used the standard figure from the Climate Action Registry, which is the lowest of these credible emission

| | | |
|-------------|------|------|
| Coal | 18.0 | 15.7 |
| Natural Gas | 50.0 | 41.5 |
| Large Hydro | 10.0 | 19.0 |
| Nuclear | 15.0 | 12.9 |
| Biomass | 3.0 | 2.1 |
| Geothermal | 2.0 | 4.7 |
| Small Hydro | <1 | 2.1 |
| Solar | <1 | 0.2 |
| Wind | 3.0 | 1.8 |

⁷⁵¹⁵⁵ Natural gas emissions range from about 800-1200 lbs/megawatt-hour, and coal emissions are more than 2000 lbs/megawatt-hour.

⁷⁶¹⁵⁶ See page 12 of the *Prepared Rebuttal Testimony of San Diego Gas & Electric Company – J. Strack*, in the CPUC’s Application No. 06-08-010 for the Sunrise Powerlink Transmission project, June 25, 2007.

⁷⁷¹⁵⁷ See Powers, Bill, *Assessment of Energy Intensity and CO2 Emissions Associated with Water Supply Options for San Diego County*, October 12, 2007.

¹⁵⁸ See Poseidon Resources Corporation, *Response to Staff Report, November 9, 2007, Exh. A at pp. 23-24.*

rates, to establish Poseidon's 200 million pound contribution to greenhouse gas emissions.⁷⁸¹⁵⁹ Based on the above, the Commission believes the basis of Commission staff's calculations are an appropriate, if not a low, estimate of carbon dioxide emissions resulting from Poseidon's proposed electricity use. Even so, because SDG&E reports its overall emission rate on an annual basis and that rate changes based on the particular mix of electricity sources SDG&E uses each year, the rate that would be used to determine Poseidon's greenhouse gas contributions each year is at this point unknown but will be determined through Commission review and approval of Poseidon's *Energy Minimization and Greenhouse Gas Reduction Plan* as described later in these Findings. Poseidon disagrees, stating that Commission staff did not follow the CCAR protocol or rely on the CCAR certified SDG&E emissions factor.¹⁶⁰ Because CCAR is indeed the only state agency that is authorized by the California State Legislature to establish protocols for establishing carbon emission baselines, Poseidon contends that the Commission staff's analysis is in error.

In its October 21, 2007 memorandum, Exhibit D to its November 9, 2007 letter to the Commission, and in its November 15, 2007 presentation to the Commission at the November 15, 2007 hearing, Poseidon presented its voluntary proposal to offset or reduce the proposed project's energy use and greenhouse gas production so that the facility's operations would be net carbon neutral. Poseidon states that it will develop a Climate Action Plan that (1) would ensure the project minimizes energy consumption in compliance with Coastal Act Section 30253(4), and (2) would voluntarily render the project net carbon neutral. Poseidon's Climate Action Plan may include the following, which are described in more detail below:

Energy mMinimization mMeasures:

- Installing a state-of-the-art high efficiency energy recovery system, ~~including improved energy efficiency for the proposed project that would~~ that will decrease the amount of energy required by the facility's expected electrical demand by 10% or about 10% of 433 kilowatt-hours per acre-foot 433 kWh/AF.
- Evaluating the proposed project through a LEED-type process, and implementing as many of the LEED Checklist items as feasible ("LEED" is the "Leadership in Energy and Environmental Design" program).
- Installing variable- frequency drives on the desalination facility's intake water pumps to improve their energy- efficiency.

⁷⁸¹⁵⁹ Using the next higher credible estimate (1100 pounds per megawatt-hour) would result in Poseidon's emissions being closer to 300,000,000 pounds per year.

¹⁶⁰ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at pp. 23-24.

- ~~Installing~~ Installation of low-friction piping materials (e.g., FRP and HDPE) wherever possible to reduce head losses and related energy consumption needed to move water through the pipelines.

Carbon ~~n~~Neutrality ~~m~~Measures:

- Acquiring renewable power ~~by installing solar photovoltaic~~ through installation of PV array and other renewable energy sources.
- Acquiring Renewable Energy Credits (RECs) or purchasing carbon offset projects.
- Restoring and preserving coastal wetlands for carbon sequestration.
- Providing \$1 million worth of trees ~~to reforest burned areas~~ for reforestation in the San Diego area.

As noted previously, Poseidon initially estimated that its facility would require 4,833 kilowatt-hours of electricity to produce each acre-foot of potable water (kWh/AF) and transport that water to delivery points in Carlsbad and ~~nearby communities elsewhere~~. This figure would otherwise be somewhat higher – about 5,990 kWh/AF – however, Poseidon plans to use an energy recovery turbine to reduce electricity demand by about 1,103 kWh/AF. Poseidon is also exploring the use of a relatively new energy recovery device known as a pressure exchanger, which it expects could reduce electrical use by an additional 10%. This would result in electrical usage of about 4,400 kWh/AF and would reduce Poseidon's expected carbon dioxide emissions to ~~about somewhat greater than~~ 200 million pounds per year (90,000 metric tonnes) per year according to Commission staff's calculations, or 134 million pounds (61,000 metric tonnes) per year per CCAR. It would clearly be to Poseidon's advantage to use any cost-effective energy efficiency devices available to reduce its operating costs, and ~~although~~ Poseidon has ~~not yet committed to use this device,~~ and the emission estimates in these Findings ~~already credit~~ Poseidon with the emission reductions that would result from its use.

Poseidon is also exploring a number of other energy efficiency measures, including installing variable speed pumps, installing high efficiency lighting and motors throughout the facility, and using low-friction piping material and installing larger diameter piping where possible. It is proposing to implement as many LEED items as feasible, including providing bicycle storage, using water efficient landscaping, providing recycling capability, using low-emission adhesives and sealants, etc. It is also considering installing a rooftop solar energy system. The Commission supports Poseidon's proposed use of the LEED guidelines, as implementing LEED-related measures would likely provide numerous benefits; however, those guidelines would not result in significantly lower emissions from Poseidon's anticipated electrical use. Further, Poseidon has not yet committed to these measures.

Poseidon also states that it could further reduce its energy use by operating at 80% capacity during the eight hours per day of peak electricity demand and then operate at 108% of its average capacity during the remaining hours each day.⁷⁹¹⁶¹ This proposed operating scenario, however, would not necessarily reduce energy use or emissions; it would instead shift energy use from one time of day to another. This would be beneficial in that it would lower Poseidon's electricity costs and reduce demand on the electricity grid during those peak hours, but Poseidon would still produce about the same amount of water each day requiring the same amount of electricity for each acre-foot.

Poseidon further contends it should be credited with emission reductions because its project would result in less water being transported to the San Diego region from the State Water Project. Although the State Water Project emits fewer emissions per acre-foot than Poseidon's project would, applying a credit for this foregone use would lower Poseidon's overall greenhouse gas contributions by about 4077% (i.e., the difference between Poseidon's 4400 kilowatt-hour per acre-foot energy use and the State Water Project's 3400 kilowatt-hour per acre-foot).¹⁶² Poseidon states that the Carlsbad facility will supply 56,000 acre-feet of water per year to the San Diego region, water that would otherwise have to be pumped into the region through either the State Water Project or the Colorado River Aqueduct. Poseidon further contends provides, as stated by all Carlsbad desalination project water agency partners in letters to the State Lands Commission dated November 6 and November 7, 2007, which were also provided to the Coastal Commission, that water from the desalination plant will provide direct, one-for-one replacement of imported water to meet the requirements of their Urban Water Management Plans, thus eliminating the need to pump 56,000 acre feet of water into the region.⁸⁰¹⁶³ Conversely, Poseidon contends that if the project is not approved the demand for imported water by the eight public water agencies will increase by 56,000 AF/Y starting in 2010. Additionally, the Metropolitan Water District of Southern California (MWD) has committed to pay Poseidon's customers \$250/AF for each acre-foot of water purchased from the project that offsets a demand on MWD. The availability of MWD funding is subject to annual audit demonstrating that the desalinated water was used to offset a demand for imported water that would otherwise have to be delivered by MWD. Poseidon concludes that, if the replaced water is pumped into the region for other uses, then the associated carbon emissions from such pumping should be and is the responsibility of the proponents of those other uses. Poseidon asserts that any Any other result

⁷⁹¹⁶¹ An annual daily average of 50 MGD equals 2,083,333 million gallons per hour. Operating at 80% capacity for eight hours would produce about 16.6 million gallons, and operating at 108% capacity for sixteen hours would produce about 33.3 million gallons, for an overall total of about 49.9 MGD. Since the energy required to produce each acre-foot is about 4400 kilowatt-hours, the overall energy difference between continual production of 50 MGD (153.4 AF) and variable production of 49.9 MGD (153.1 AF) would be minimal.

¹⁶² See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Ex. D (Climate Action Plan) at p. 4.

⁸⁰¹⁶³ See Poseidon Resources Corporation. Letter to Paul Thayer Re: Desalination Project's Impact on Imported Water Use, November 8, 2007, including attachments from eight water agencies.

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would be an unfair and unwarranted “double counting” of carbon emissions, requiring Poseidon to offset emissions caused by other activities not associated with its own operations.⁸¹¹⁶⁴

For several reasons, however, the Commission ~~finds~~staff believes this “crediting” approach does not appear warranted. First, Poseidon’s proposed “crediting” is not based on verifiable reductions in greenhouse gas emissions, but on speculative changes in water delivery. Poseidon’s proposed project does not ensure a decrease in imported water supplies from the State Water Project or to the San Diego Region.⁸²to the San Diego Region.¹⁶⁵ Other factors may contribute to such a decrease – e.g., supply cutbacks imposed by court order, a shift in water prices, etc. – but Poseidon’s project itself does not include measures that would implement such a decrease, such as retiring distant water rights or assigning water rights to instream uses. Similarly, other factors out of Poseidon’s control and not part of its proposal could result in increased water imports to the region – e.g., price changes, increased availability of agricultural water for urban use, etc. – which would result in any “credits” to Poseidon being based on increased rather than decreased emissions from imported water. Poseidon acknowledges that the State Water Project would continue to pump available water to Southern California users, but then argues that it should still be credited for what would then be a non-existent reduction in emissions. Additionally, because Poseidon’s water would be more expensive than imported sources, available imported water would likely remain the water of choice for most users in the region, and so Poseidon’s project would not likely affect the cost preference for imported water (e.g., the San Diego County Water Authority has contracted with the Imperial Irrigation District for up to 200,000 acre-feet per year – about 175 MGD – at less than \$300 per acre-foot). Further, much of the water imported to San Diego comes from the Colorado River, which requires about a third less electricity than water imported from the State Water Project (approximately 2,000 kilowatt-hours per acre-foot versus ~~3,400~~3,100 kilowatt-hours per acre-foot), so even if “crediting” was appropriate, it would likely be at a much lower level than Poseidon proposes. All these factors result in a high degree of uncertainty as to if or when Poseidon’s “crediting” approach would be based on, or would contribute to, a reduction of emissions.

Poseidon further contends that its project should be seen as part of a proposed regional water supply portfolio that would result in an overall reduction of electrical use and greenhouse gas emissions from the area’s water use. Poseidon states that the planned shift in the San Diego region’s water portfolio – using less imported water, gaining water through conservation, recycling, and canal lining projects, using seawater desalination, etc. – will result in an overall 19% reduction in the energy use per acre-foot now used for the region’s water supply. However, ~~while~~While such a shift would likely reduce overall electrical use and emissions, those measures are not a part of Poseidon’s proposal and those components of the proposed future portfolio would not reduce Poseidon’s 200 million pounds of carbon dioxide emissions. ~~Further, seawater~~

⁸¹¹⁶⁴ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at p. 24.

⁸²¹⁶⁵ We note that the San Diego County Water Authority continues to seek out additional imported water sources that would be used regardless of Poseidon’s project.

desalination would represent the most energy intensive of the water sources identified in the portfolio; therefore, using imported water or any other sources instead of seawater desalination would result in the portfolio have even lower overall energy usage and lower greenhouse gas emissions.

In sum, and with or without the speculative and potential changes in water delivery described above in Commission staff's view, the electrical demand of Poseidon's proposed project, which is the current proposal before the Commission, would contribute approximately no less than 200 million pounds (90,000 metric tonnes) of carbon dioxide annually. However, to mitigate the effects of these emissions on coastal resources, and Poseidon's calculations, based on the CCAR protocol, estimate approximately 134,400,000 pounds (61,000 metric tonnes) of carbon dioxide emissions annually. Poseidon and the Commission staff will consult with CCAR, the California Air Resources Board, and CARB and other agencies to ensure that the carbon emissions will be neutralized regardless of the actual output, and **Special Condition 10** will ensure that the Commission can review and approve a revised submittal from Poseidon to assure emissions resulting from assure that all net greenhouse gas emissions will be offset.

As described above, Poseidon's Climate Action Plan presents a variety of measures it is exploring to reduce the plant's energy consumption, in compliance with Coastal Act Section 30253(4). Although the Plan does not currently commit to specific energy minimization measures, Poseidon is still exploring its options in regard to energy minimization, and the Plan does commit to specific energy reductions.

To ensure Poseidon's proposal will minimize energy consumption in conformance with Coastal Act Section 30253(4), Special Condition 10 requires Poseidon, prior to issuance of its coastal development permit, to submit to the Commission for review and approval a revised Energy Minimization and Greenhouse Gas Reduction Plan. That Plan is to be developed in conjunction with Coastal Commission staff and staff of other interested agencies and is to describe the procedures and mitigation measures that will be implemented to minimize energy consumption of the desalination facility's electrical demand will be offset.

Poseidon states that it will develop a plan to reduce the facility's energy consumption and to identify other energy minimization and greenhouse gas reduction measures. The Plan may include several types of "offsets", such as:

As noted above, Poseidon's Climate Action Plan further voluntarily provides a commitment that Poseidon will render the project "net carbon neutral" through measures including:

Poseidon contends that its

- Acquiring Renewable Energy Credits (RECs)
- Purchasing carbon offset projects
- Restoring and preserving coastal wetlands for carbon sequestration

- Providing \$1 million worth of trees for reforestation in the San Diego area.

Poseidon states that it would consider purchasing RECs, which are credits bought and sold in an open market and used to fund renewable energy sources. For example, a renewable energy provider can be credited with one REC for every megawatt it produces, and can sell its RECs to make up some of the difference between the generally higher-cost energy produced from the renewable source and the generally lower-cost energy produced by a conventional fossil fuel source.⁸³¹⁶⁶ Carbon offsets are similar, in that they can be purchased through various market systems – non-profit or for-profit organizations, formal trading systems, etc. – and used for projects that reduce atmospheric carbon, such as energy conservation projects, methane capture, reforestation, etc. One method of offsetting carbon emissions involves sequestering carbon in growing plants, either through reforestation, or as Poseidon describes, through restoring and preserving coastal wetlands.⁸⁴ As part of its proposal, Poseidon has committed to purchase one million dollars worth of native and non-invasive trees to be planted in areas of San Diego County that were burned during the October 2007 wildfires. However, Poseidon has not provided further details about the type or amount of emission credits it would purchase or what kinds of emission reduction projects it would undertake. An additional concern is that there are only limited methods currently available for offsetting emissions, and it may be necessary to commit those offsetting measures to existing and critically needed facilities rather than a proposed and highly energy-intensive use such as this desalination facility. ~~Further, rather than use offsets, Poseidon would be better able to conform to the Coastal Act Section 30253(4) requirement by including with its proposed project an energy conservation plan that commits to specific measures it will take to minimize energy use and its associated greenhouse gas emissions. A plan focusing on onsite and offsite energy conservation measures that result in an annual 200 million pound decrease in carbon dioxide emissions would be most closely related to Section 30253(4)'s mandate to minimize energy use. If those measures are inadequate, the plan could then provide offsets for the remaining emissions.~~

Conclusion

To ensure Poseidon's proposal will avoid and offset the adverse coastal resource impacts noted above ~~and will conform to applicable Coastal Act provisions~~, **Special Condition 10** requires Poseidon, prior to issuance of its coastal development permit, to submit to the Commission for review and approval a revised Energy Minimization and Greenhouse Gas Reduction Plan. That

⁸³¹⁶⁶ Recent REC prices have ranged from about \$5 to \$90 per megawatt-hour, with an average cost in 2006 of about \$20 (see U.S. Department of Energy, Energy Efficiency and Renewable Energy website at: <http://www.eere.energy.gov/greenpower/markets/certificates.shtml?page=1>). Based on the average 2006 cost, offsetting Poseidon's anticipated use of 250,000 megawatt-hours per year would require it to purchase \$5 million worth of RECs, equal to about \$90 for each acre-foot of water it produced.

⁸⁴ ~~To provide a comparison, the U.S. EPA and U.S. Agency for International Development Climate Technology website calculates that sequestering 200,000,000 pounds of annual carbon emissions each year requires about 75,000 acres of growing forest (see www.usetegateway.net).~~

Plan is to be developed in conjunction with Coastal Commission staff and staff of other interested agencies and is to describe the procedures and mitigation measures that will be implemented to determine the amount of carbon dioxide emitted due to Poseidon's electrical use and to ensure that that project operations are "net carbon neutral". These may include measures described above and others, such as confirmed use of renewable energy sources like solar or wind power that would reduce the project's carbon footprint.

Conclusion

Special Condition 10 requires Poseidon to submit to the Commission for review and approval a Revised Energy Minimization and Greenhouse Gas Reduction Plan that addresses comments submitted by the staffs of the Commission, State Lands Commission and the Air Resources Board prior to issuance of the permit. The Commission finds that imposition of **Special Condition 10** will ensure that Poseidon minimizes energy consumption of the project and mitigates any effects of the project's emissions on coastal resources. ~~Therefore and that,~~ as mitigated and conditioned, the project is consistent with the requirements of Section 30253(4) and other relevant Coastal Act provisions. ~~30253.~~ The proposed project is meant in part to respond to the threat of drought and dwindling water supplies, and with adequate minimization and compensatory mitigation measures, the project will help achieve those goals. Poseidon's revised plan shall establish that the project will avoid, minimize, or mitigate adverse impacts to a wide range of coastal resources, including public access, recreation, marine resources, wetlands, ESHA, agriculture, natural land forms, and existing development associated with its minimized and mitigated energy consumption. Based on the above, the Commission finds that the project, as conditioned, will conform to Coastal Act provisions related to minimizing energy use and mitigating any adverse effects on coastal resources from greenhouse gas emissions.

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4.5.6 ~~4.5.6~~ **Development and Public Services (Coastal Act Sections 30250 and 30254)**

Coastal Act Section 30250(a) states:

New residential, commercial, or industrial development, except as otherwise provided in this division, shall be located within, contiguous with, or in close proximity to, existing developed areas able to accommodate it or, where such areas are not able to accommodate it, in other areas with adequate public services and where it will not have significant adverse effects, either individually or cumulatively, on coastal resources. In addition, land divisions, other than leases for agricultural uses, outside existing developed areas shall be permitted only where 50 percent of the usable parcels in the area have been developed and the created parcels would be no smaller than the average size of surrounding parcels.

Coastal Act Section 30254 states:

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Recommended Revised Findings for Coastal Development
Permit E-06-013
Poseidon Resources (Channelside), LLC

ATTACHMENT 5:
June 11, 2008 E-mail from Latham & Watkins
with requested revisions to Revised Findings

Tom Luster

From: DJ.Moore@lw.com
Sent: Wednesday, June 11, 2008 5:19 PM
To: sblank@kandsranch.com
Cc: Tom Luster; Rick.Zbur@LW.com; David.Goldberg@lw.com
Subject: Modifications to Jointly Requested Findings

Steve:

Attached are proposed modifications to the Jointly Requested Findings. Do these modifications address your concerns?

Best regards,
DJ

<<SCAN001.PDF>>

DJ Moore

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<http://www.lw.com>

To comply with IRS regulations, we advise you that any discussion of Federal tax issues in
For more information please go to <http://www.lw.com/docs/irs.pdf>

This email may contain material that is confidential, privileged and/or attorney work prod
Latham & Watkins LLP

Modifications to Jointly Requested Findings¹

Page 31 (paragraph 4):

Although Poseidon's use of the power plant intake structure would not be for cooling purposes, and while it is possible that it may in the future be subject to this Porter-Cologne Act provision, such a scenario is speculative. At this time, the Regional Water Quality Control Board is processing a plan to regulate Poseidon's use of the power plant intake structure for desalination purposes, and this plan is expected to fully comply with Water Code Section 13142.5(b). This plan is described in more detail in Section 4.5.1 of these findings. **In addition, the Commission retains full authority to ensure the project's consistency with the Coastal Act's marine resources protection policies through the imposition of Special Condition 8, which provides that the Commission shall review and approve a Marine Life Mitigation Plan.**

Pages 45-47 (Page 45 last 2 paragraphs through end of first sentence on Page 47):

~~Poseidon contends that the State and Regional Water Quality Control Boards have primary authority over water quality related marine life issues. As set forth in Coastal Act Section 30412(b):~~

~~*The State Water Resources Control Board and the California regional water quality control boards are the state agencies with primary responsibility for the coordination and control of water quality . . . The [Coastal] commission shall not . . . modify, adopt conditions, or take any action in conflict with any determination by the State Water Resources Control Board or any California regional water quality control board in matters relating to water quality . . .*~~

~~Coastal Act Section 30412(b).~~

~~In exercising its responsibility for coordination and control of water quality, the Regional Water Quality Control Board must also ensure compliance with the California Ocean Plan, which is part of the Board's jurisdiction and provides that:~~

~~———— *Marine communities, including vertebrate, invertebrate, and plant species, shall not*
———— *be degraded.*~~

~~California Ocean Plan Section II.E.1. The Regional Board has already reviewed the project's discharged related impacts and is currently reviewing the project's intake related impacts pursuant to the federal Clean Water Act and California's Porter-Cologne Act. Thus, Poseidon argues, the Coastal Commission may not take any action in conflict with the Regional Board's ongoing jurisdiction over the project. (See Coastal Act § 30412(b) ["The [Coastal] commission~~

¹ All citations are to page numbers in the Jointly Requested Findings provided to the Commission on May 29, 2008, and marked to show changes to the Jointly Requested Findings.

~~shall not . . . modify, adopt conditions, or take any action in conflict with any determination by the State Water Resources Control Board or any California regional water quality control board in matters relating to water quality. . . .”]~~)

State, regional and local water plans all have confirmed that immediate and pressing water needs cannot be met without a substantial investment in seawater desalination.⁶² To that end: (1) the proposed project will provide 56,000 AFY of new water supply for the San Diego region; (2) the California Department of Water Resources’ 2006 Water Plan Update identifies the need for 500,000 AF of desalinated water by 2030; (3) the Metropolitan Water District of Southern California’s Integrated Water Resources Plan identified a need for 250,000 AFY of seawater desalination (including 56,000 AFY from the Carlsbad project) to ensure regional water supply reliability; (4) the San Diego County Water Authority (SDCWA) updated its 2005 Urban Water Management Plan in April 2007 specifically to reaffirm the need for 56,000 AFY of seawater desalination from the Carlsbad project by 2011; and (5) Carlsbad Municipal Water District, Valley Center Municipal Water District, Rincon del Diablo Municipal Water District, Sweetwater Authority, Rainbow Municipal Water District, Santa Fe Irrigation District, Vallecitos Water District, and Olivenhain Municipal Water District have entered into long-term water purchase agreements with the Carlsbad Desalination Project.⁶³ Collectively, these water districts will use 100% of Poseidon’s capacity.⁶⁴

Page 76 (first bulleted paragraph):

- Regarding the concerns about Regional Board approval of the Plan, Poseidon’s position is that Carlsbad and other nearby cities are subject to requirements of an NPDES permit issued by the Regional Board to improve stormwater management practices affecting Agua Hedionda. Also, the State Water Resources Control Board is funding development of an Agua Hedionda Watershed Management Plan by the Carlsbad Watershed Network. That plan calls for coordinated and integrated planning for watershed management initiatives.¹¹⁰ As part of this plan, the Network is establishing a comprehensive and prioritized list of mitigation opportunities in the watershed, which it expects to complete in August 2008. The Network recently completed research identifying shortcomings in the mitigation approach used thus far in the Lagoon that has resulted in low success rates

⁶² See Poseidon Resources Corporation, *Response to California Coastal Commission’s February 20 Request for Additional Information*, June 1, 2007, at pp. 7-9.

⁶³ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A. at p. 6-7.

⁶⁴ See *id.*

¹¹⁰ For example, the Carlsbad Watershed Management Plan includes the following objectives:

- *“Coordinate watershed efforts:* “Action Items” should facilitate coordinated efforts between municipalities, regulatory agencies, and environmental organizations to implement watershed management policies and physical improvements at the most functional locations and in the most effective manner, without the restriction of political boundaries.
- *Integrate various planning efforts:* Planning for land use, transportation, watershed protection and habitat conservation need to be integrated and coordinated. “Action Items” related to planning must look for as many overlapping benefits between these planning topic areas as possible.”

and recommending steps to improve mitigation success.¹¹¹ The Network requested that any mitigation the Commission may require of Poseidon be integrated with this existing state-funded effort.¹¹² **In addition, the Commission retains full authority to ensure the project's consistency with the Coastal Act's marine resources protection policies through the imposition of Special Condition 8, which provides that the Commission shall review and approve a Marine Life Mitigation Plan.**

Page 82 (paragraph 3):

The Commission concurs that Poseidon's Plan will ensure that the proposed facility uses all feasible measures to avoid and reduce any discharge-related impacts, in part because the Board's approval of the project's NPDES permit, which requires such a finding, is necessary before the facility could operate. ~~In reliance on~~ **Because** the Regional Board's determinations in issuing the project's NPDES Permit as is required pursuant to Coastal Act Section 30412, **Board's final approval would include such findings and would ensure that the project's discharges conform to relevant requirements of the federal Clean Water Act and the water quality objectives of the state's Ocean Plan,** the Commission **therefore** finds that the project's discharge is conditioned so that it will not cause adverse impacts to marine resources. The Permit, along with its extensive monitoring and reporting requirements, ensures that the project's discharge would not harm marine resources and thus would maintain marine biological productivity and resources and minimize entrainment. **project related discharges result in minimal adverse effects to water quality and marine life** in conformance with Coastal Act Sections 30230 and 30231.

Language from Staff's proposed findings

¹¹¹ *Case Study: Systemic Evaluation of Compensatory Mitigation Sites Within the Carlsbad Hydrologic Unit*, by Nicholas R. Magliocca, UCSD.

¹¹² See September 24, 2007 letter from Carlsbad Watershed Network to Commission staff.

Item W4a
Recommended Revised Findings for Coastal Development
Permit E-06-013
Poseidon Resources (Channelside), LLC

ATTACHMENT 6:
May 22, 2008 Applicant's Requested Revisions
to Revised Findings

APPLICANT'S REQUESTED REVISIONS
Marked to show changes to Commission staff's
5/22/2008 Recommended Revised Findings

STATE OF CALIFORNIA—THE RESOURCES AGENCY

ARNOLD SCHWARZENEGGER, GOVERNOR

CALIFORNIA COASTAL COMMISSION

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| Date Filed: | July 25, 2007 |
| 49 th Day: | Waived |
| 180 th Day: | January 21, 2008 |
| Staff: | Tom Luster-SF |
| Hearing Date: | November 15, 2007 |
| Approved: | November 15, 2007 |
| Revised Findings: | May 22, 2008 |
| Hearing Date: | June 12, 2008 |

RECOMMENDED REVISED FINDINGS
COASTAL DEVELOPMENT PERMIT APPLICATION

| | |
|--|--|
| APPLICATION FILE NO.: | E-06-013 |
| APPLICANT/ SITE OWNER: | Poseidon Resources (Channelside) LLC / Cabrillo Power II LLC |
| PROJECT LOCATION: | On the Encina Power Plant site, adjacent to Agua Hedionda Lagoon, in the City of Carlsbad, San Diego County. |
| PROJECT DESCRIPTION: | Construction and operation of a 50 million gallon per day seawater desalination facility. |
| COMMISSIONERS ON PREVAILING SIDE: | Commissioners Blank, Burke, Clark, Firestone, Hueso, Neely, Potter, Secord, and Chair Kruer |
| SUBSTANTIVE FILE DOCUMENTS: | See Appendix A |
| EXHIBIT 1: | Location Map |
| EXHIBIT 2: | Site Layout |
| EXHIBIT 3: | Aerial View of Site |
| EXHIBIT 4: | Diagram of Subsurface Intakes |

- ATTACHMENT 1:** November 15, 2007 Hearing Transcript. Note: attached transcript includes Commission deliberations only.
- ATTACHMENT 2:** Staff Proposed Conditions of November 14, 2007 and Poseidon Proposed Conditions of November 15, 2007.
- ATTACHMENT 3:** Ex Parte Forms and Correspondence
- ATTACHMENT 4:** April 14, 2008 letter from Latham & Watkins regarding Recommended Revised Findings
- ATTACHMENT 5:** April 14, 2008 letter from Coast Law Group regarding Recommended Revised Findings

STAFF NOTE:

Staff prepared these Recommended Revised Findings to reflect the Commission's November 15, 2007 decision to conditionally approve the proposed Poseidon desalination facility in Carlsbad, San Diego County (CDP #E-06-013).

Format of Revised Findings: Changes from the original November 2, 2007 staff recommendation are shown in ~~strikeout~~ and underline, with changes from the November 14, 2007 addendum shown in dotted underline.

Standard and Special Conditions: These Recommended Revised Findings include conditions the Commission adopted at its November 15, 2007 hearing. As shown in the Hearing Transcript (Attachment 1), some of the Commission's deliberations were about whether to adopt conditions that had been suggested by staff or those suggested by Poseidon. Attachment 2 includes staff's proposed conditions from November 14, 2007 and Poseidon's proposed conditions from November 15, 2007. The final amended motion approved by the Commission included staff's proposed **Standard Conditions 1 through 5, Special Conditions 1, 3, 4, 6, 7, 9, 10, 12, 13, 14, 15, and 16**, and a modified version of staff's **Special Condition 8**. It also included Poseidon's proposed **Special Conditions 2, 5, 11, and 17**.

During the Commission's deliberations about the requirement of **Special Condition 10** that Poseidon submit a proposed Energy Minimization and Greenhouse Gas Reduction Plan, Poseidon stated its commitment to purchase \$1 million worth of native, non-invasive trees to plant in areas burned during the October 2007 wildfires in San Diego County. However, this commitment is included in the Revised Findings rather than **Special Condition 10**, since there was no motion to amend the condition. Finally, by imposing ~~these Special Conditions, the Commission reserved a significant amount of its discretionary authority over this project for future review~~ 8 and 10, the Commission required that Poseidon submit two mitigation plans for Commission review and approval prior to issuance of the Coastal Development Permit. Commission staff therefore expects s that Revised Findings that may be adopted by the Commission at its June 2008 hearing may be subsequently ~~supplemented~~ modified pursuant to the Commission's future decisions s on those two mitigation plans.

Conclusion: Staff recommends the Commission **approve** these Recommended Revised Findings.

EXECUTIVE SUMMARY

Project Description: The proposed project is a seawater desalination facility to be constructed and operated at the site of the Encina Power Plant in Carlsbad, San Diego County. The facility would be owned and operated by Poseidon Resources (Channelside) LLC. It would withdraw about 304 million gallons per day (MGD) of water from Agua Hedionda, a coastal estuary, to produce about 50 MGD of potable water for sale and distribution.

The project was originally proposed to co-locate with the power plant in order to use some of the several hundred million gallons per day of water the power plant pumped from Agua Hedionda. However, the power plant owner announced earlier this year that it intends to shut down the existing plant and build a new one elsewhere on the site that would not use seawater for cooling. During the last few years, the power plant has operated at a substantially reduced level over its historical rate of use, and it is expected to operate only sporadically for a few more years once the new facility is built. As a result, the desalination facility would now operate as a “stand-alone” facility, and the analyses in these Recommended Findings are based on these “stand-alone” operations.

Key Coastal Act Issues:

- *Protection of Marine Life and Water Quality:* The project as proposed and conditioned herein ~~would~~will be consistent with policies of Coastal Act Sections 30230 and 30231 meant to protect marine life and water quality. ~~The~~As documented in the certified EIR prepared for the project by the City of Carlsbad, operating co-located with Encina Power Station (EPS), the project will not have significant entrainment or impingement impacts. The project’s discharge of its waste stream into coastal waters would result in levels of salinity higher than the natural variability of these waters in an area ranging from about eight to over 40 acres of benthic habitat. The Commission finds that the certified EIR determined that the project’s discharge of 40 ppt would not cause significant adverse impacts to marine life, and that the San Diego Regional Water Quality Control Board (Regional Board) studied the project’s discharge before issuing the project’s NPDES Permit, and that the Regional Board adequately conditioned all potential discharge-related impacts to ensure compliance with applicable Clean Water Act criteria and the California Ocean Plan. Operating stand-alone, entrainment caused by the project’s use of an open-water intake within Agua Hedionda would result in a loss of productivity for certain species in the lagoon ~~that Poseidon has estimated would be~~ equal to that produced in ~~approximately~~no more than 37 acres of wetland and open water habitat, which the EIR determined is less than significant. Although the project EIR concluded that the project would not have significant adverse entrainment impacts, the ~~EIR was certified before Poseidon made available~~Commission is conducting further evaluation of its entrainment study results showing the expected 37-acre productivity loss, and the Commission has ~~addressed that change in these Findings and through the imposition of~~imposed Special Condition 8,

which ~~requires~~assures the adverse marine life effects be mitigated. ~~The project's discharge of its waste stream into coastal waters would result in levels of salinity higher than the natural variability of these waters in an area ranging from about eight to over 40 acres of benthic habitat. For the reasons set more~~ For the reasons set forth more fully below in these findings and in Poseidon's submissions, the Commission finds that alternative intakes are infeasible or would cause greater adverse impacts. Slant wells are infeasible because the water quality available from such intakes would make it difficult, if not impossible, to treat for desalination purposes, and ~~that~~ the construction impacts associated with this alternative render it environmentally inferior to the proposed project. The Commission also finds that an infiltration gallery is environmentally inferior to the proposed project because this alternative would disrupt public access to marine resources, require frequent dredging and cause other adverse effects to coastal habitat, and that it is economically infeasible. The Commission further finds that an offshore intake system would result in more extensive environmental impacts than the proposed project's use of the existing EPS intake. To address ~~these~~potential impacts, Poseidon submitted a conceptual plan to restore 37 acres of lost wetland and upland habitat. However, the plan lacks details necessary for the Commission to ~~determine~~assure that these adverse marine resource impacts will be mitigated fully, as required by the Coastal Act. Poseidon has also submitted the plan to the ~~San Diego Regional Water Quality Control Board (Regional Board)~~ as required by its conditional NPDES permit. The Regional Board ~~reviews~~has primary jurisdiction over various water quality issues and will ensure compliance with its regulations and policies via its review and approval of the plan. The Commission is therefore requiring through **Special Condition 8** that Poseidon develop a Marine Life Mitigation Plan for further Commission review and approval that fully documents the facility's anticipated entrainment and impingement impacts, mitigates those impacts to the maximum extent feasible through creation, enhancement, or restoration of aquatic and wetland habitat, and ensures long-term performance, monitoring, and protection of the approved mitigation measures in a manner consistent with the policies of Coastal Act Sections 30230 and 30231. In addition to the enhancement to the marine environment from the Marine Life Mitigation Plan, Poseidon's obligation to undertake dredging of the Agua Hedionda Lagoon, which Poseidon would undertake should EPS cease utilizing its intake system, would enhance the marine environment in the Lagoon by preventing the loss of tidal circulation, preserving and protecting the Lagoon's ecosystem and existing Lagoon based research, aquaculture, fish hatching, sand replenishment and visual and aesthetic enjoyment. The Commission is also requiring through **Special Condition 9** that Poseidon obtain an amendment to its coastal development permit if it proposes or is required to withdraw more than the currently anticipated 304 million gallons per day of estuarine water from Agua Hedionda lagoon. Further, the project is subject to continuing review by the Regional Board to ensure conformity to federal Clean Water Act and state Porter-Cologne Act requirements related to protection of water quality impacts. **Special Condition 4** requires Poseidon to submit, prior to construction, documentation that it has received final approvals from the Regional Board and other agencies for project construction and operations.

With the implementation of these Special Conditions, the Commission finds the project will conform to applicable provisions of Coastal Act Sections 30230 and 30231 by ensuring that marine resources are maintained, enhanced, and restored to the extent feasible.

- *Energy Use and Greenhouse Gas Emissions:* The project’s electrical use would cause emissions of carbon dioxide of an estimated ~~200 million pounds~~ 60,000 to 90,000 metric tonnes per year,¹ which would result in adverse impacts to a wide range of coastal resources, as described in Section 2.5.5 of these Findings. Poseidon has agreed to “go carbon-neutral” – i.e., to reduce its emissions through various measures so that its facility would contribute net zero greenhouse gas emissions, but it has not yet demonstrated how it would implement this mitigation proposal. To ensure the project conforms to the policies of Coastal Act Section 30253(4) and other applicable Coastal Act provisions, and avoids or minimizes its effects on coastal resources, the Commission is requiring through **Special Condition 10** that Poseidon develop an Energy Minimization and Greenhouse Gas Reduction Plan for further Commission review and approval.

- *Protection of Coastal Waters and Wetlands:* ~~The~~ Dredging activities associated with the proposed project represents ~~a non-an~~ allowable use of Agua Hedionda Lagoon, one of 19 coastal estuaries in which permitted alterations are limited, pursuant to Coastal Act Section 30233(c), to “...very minor incidental public facilities, restorative measures, [and] nature study...”. ~~The Commission therefore finds the project cannot be found consistent with the use prohibitions of Coastal Act Section 30233(c). Additionally, ...”.~~ Although the project may require future dredging to ensure its continued use of the existing intake structure, ~~and the Commission, through imposition of Special Condition 12 requiring~~ dredging activities for the foreseeable future are the responsibility of the power plant owner. The Commission has approved dredging of Agua Hedionda Lagoon on 17 separate occasions since 1977. In January 2002, August 2004 and October 2006, the Commission approved dredging projects identical to those that would be required to support the stand-alone desalination facility, and on each occasion found the proposed dredging consistent with the Coastal Act.² Through Special Condition 12, which requires Poseidon to obtain separate coastal development permits for any proposed future dredging activities, the Commission has ensured conformity to ~~other those~~ portions of Coastal Act Section 30233(a)-(c) related to dredging. The Commission therefore finds the project is consistent with Coastal Act Section 30233.

¹ As described more fully in Section 4.5.5 herein, Commission staff estimates that the project will emit 90,000 metric tonnes (200,000,000 pounds) of carbon dioxide per year, while Poseidon, relying on the California Climate Action Registry’s certified protocol, estimates 61,000 metric tonnes (134,500,000 pounds) of carbon emissions.

² Poseidon Resources Corporation, Response to California Coastal Commission’s February 20 Request for Additional Information, June 1, 2007, at p. 20.

~~Because~~ Although the project, as conditioned, conforms to the above-listed Coastal Act policies, because the proposed project is a coastal-dependent industrial facility, ~~its~~ the Commission may “override” any inconsistencies with ~~Coastal Act Section 30233(e) may be “overridden”~~ those policies pursuant to Coastal Act Section 30260. That policy allows the Commission to approve coastal-dependent industrial facilities that are not consistent with other Coastal Act policies contained in Chapter 3 if the proposal meets three tests. Those tests require: (1) that there be no feasible and less environmentally damaging location for the proposed project; (2) that the project’s adverse environmental impacts be mitigated to the maximum extent feasible; and, (3) that not permitting the proposed project would adversely affect the public welfare. ~~In~~ Although the Commission finds consistency with all applicable Coastal Act policies, in applying these tests to the proposed project, the Commission also finds, as discussed in detail in Section 4.5.7 of ~~this report~~ findings, the following:

- There are no feasible and less environmentally damaging alternative ~~intake~~ locations to draw in the needed seawater (e.g., subsurface or offshore, ~~as further described in Section 4.2.1 of these Findings~~) ~~that would avoid nonconformity to the use prohibitions of Section 30233(e)~~. For the reasons set more forth more fully below in these findings, the Commission finds, pursuant to the EIR and Poseidon’s documentation that slant wells are infeasible because the water quality available from such intakes would make it difficult, if not impossible, to treat for desalination purposes, and that these intakes would cause substantial construction-related impacts that render this alternative environmentally inferior to the proposed project. The Commission similarly finds that an infiltration gallery is environmentally inferior to the proposed project because this alternative would disrupt public access to the shoreline and marine resources, would adversely affect up to about 150 acres of coastal habitat, would require frequent dredging, and would be economically infeasible. The Commission also finds that an offshore intake system would result in ~~substantial~~ greater environmental impacts than the proposed project’s use of the existing EPS intake, and that construction of an offshore intake would be economically infeasible.
- **Special Conditions 4, 8, 9, 10, 11, 12, 15, 16, and 17**, ensure ~~the project’s~~ any potential adverse effects to Agua Hedionda Lagoon are mitigated to the maximum extent feasible. The Commission finds that the required development of the necessary mitigation plans, the limitation on water withdrawals, prohibition of dredging without further Commission review and approval, and imposition of water quality best management practices, will ensure that the project is mitigated to the maximum extent feasible.
- Denial of the proposed project would adversely affect the public welfare for a number of reasons. As described herein and elsewhere in the Commission’s record, including the project’s EIR, the project would provide public benefits in the form of a local water supply in an area where current and anticipated water imports are expected to decline. Although it is a privately ~~-~~ funded project, the water ~~it produces~~ produced by the project will be put to public use by eight public water districts. The sale of water to public water districts is expected to both alleviate expected water supply shortfalls and augment other supply options such as recycled water and conservation. It also provides public benefits to those districts

and their ratepayers because they will not be expected to pay directly for more than \$300 million of the project's start-up and construction costs. The project also includes public benefits in the form of increased public access opportunities to both Agua Hedionda Lagoon and to the Pacific Ocean. **Further, in the absence of the project's maintenance dredging and stewardship of the Lagoon (if the EPS is decommissioned), sedimentation will cause the Lagoon to close within five to seven years, resulting in a loss of its beneficial uses.**

The Commission therefore finds that the project, as conditioned, will conform to Coastal Act Section 30260.

GLOSSARY

GLOSSARY

Terms Used:

- Acre-foot: An acre-foot is equal to about 326,000 gallons, which is enough to supply from one to four households for a year.
- Kilowatt-hour (kWh): As used in these findings, it refers to the amount of electricity needed to produce one kilowatt for one hour.
- Megawatt-hour (mWh): As used in these findings, it refers to the amount of electricity needed to produce one megawatt for one hour. A megawatt is 1,000 kilowatts.
- Million gallons per day (MGD): A million gallons is equal to about three acre-feet.

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1.0 RECOMMENDED MOTION AND RESOLUTION

Motion

Staff recommends the Commission adopt the following findings in support of its actions on November 15, 2007 to approve Coastal Development Permit E-06-013.

I move that the Commission adopt the Revised Findings in support of the Commission's actions on November 15, 2007 concerning the Commission's Coastal Development Permit E-06-013.

Resolution

The Commission hereby adopts the Findings set forth below regarding Coastal Development Permit E-06-013.

2.0

STANDARD CONDITIONS

- 1) **1) Notice of Receipt and Acknowledgment:** This permit is not valid until a copy of the permit is signed by the Permittee or authorized agent, acknowledging receipt of the permit and the acceptance of the terms and conditions, and is returned to the Commission office.
- 2) **2) Expiration:** Construction activities for the proposed project must be initiated within two years of issuance of this permit. This permit will expire two years from the date on which the Commission approved the proposed project if development has not begun. Construction of the development shall be pursued in a diligent manner and completed in a reasonable period of time. Application for extension of the permit must be made at least six months prior to the expiration date.
- 3) **3) Interpretation:** Any questions of intent or interpretation of any condition will be resolved by the Executive Director of the Commission (hereinafter, “Executive Director”) or the Commission.
- 4) **4) Assignment:** The permit may be assigned to any qualified person, provided the assignee files with the Commission an affidavit accepting all terms and conditions of the permit.
- 5) **5) Terms and Conditions Run with the Land:** These terms and conditions shall be perpetual, and it is the intention of the Commission and the Permittee to bind all future owners and possessors of the subject property to the terms and conditions.

3.0 SPECIAL CONDITIONS

- 1) **1) Liability for Costs and Attorneys Fees:** The Permittee shall reimburse the Coastal Commission in full for all Coastal Commission costs and attorneys fees – including (1) those charged by the Office of the Attorney General, and (2) any court costs and attorneys fees that the Coastal Commission may be required by a court to pay – that the Coastal Commission incurs in connection with the defense of any action brought against the Coastal Commission, its officers, employees, agents, successors and assigns challenging the approval or issuance of this permit. The Coastal Commission retains complete authority to conduct and direct the defense of any such action against the Coastal Commission.
- 2) **2) Proof of Legal Interest:** PRIOR TO ISSUANCE OF THE PERMIT, the Permittee shall provide for Executive Director review and approval documentation of the Permittee’s legal interest in all property within the coastal zone needed to construct and operate the project, including:
- Lease(s) from the California State Lands Commission for structures on state tidelands. Any conflicts between conditions of the lease(s) and those adopted by the Coastal Commission shall be presented to the Coastal Commission for resolution.
 - Lease(s) or other forms of approval from the power plant owner allowing the Permittee to use portions of the power plant site and Agua Hedionda Lagoon.

- Lease(s) or other forms of approval from the City of Carlsbad and other local governments for the project's water delivery pipelines.

~~3)~~ **3) Lease and Deed Restriction:** PRIOR TO ISSUANCE OF THE PERMIT, the applicant shall provide to the Executive Director for review and approval documentation demonstrating that the applicant ~~and~~ has executed and recorded against its leasehold interest(s) in the property governed by this permit a lease restriction (in which any private owner of the fee interest in such property shall join or to which it shall agree to be bound), in a form and content acceptable to the Executive Director (a) indicating that, pursuant to this permit, the California Coastal Commission has authorized development on the Property, subject to terms and conditions that restrict the use and enjoyment of the Property; and (b) imposing all of the Special Conditions of this permit as covenants, conditions and restrictions on the use and enjoyment of the Property. The restriction shall include a legal description of the Property. It shall also indicate that, in the event of an extinguishment or termination of the deed restriction for any reason, the Standard and Special Conditions of this permit shall continue to restrict the use and enjoyment of the Property so long as either this permit or the development it authorizes – or any part, modification, or amendment thereof – remains in existence on or with respect to the Property.

~~4)~~ **4) Other Approvals:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval documentation showing that the project has obtained final approvals for project construction and operation from the City of Carlsbad, the Regional Water Quality Control Board, the California Department of Health Services, the National Marine Fisheries Service, and the U.S. Fish and Wildlife Service, or documentation showing that these approvals are not needed.

~~5)~~ **5) Assumption of Risk and Waiver of Liability:** The Permittee acknowledges and agrees, on behalf of itself and all successors and assigns: (i) that the project site may be subject to hazards from seismic events, liquefaction, storms, waves, floods and erosion; (ii) to assume the risks to the Permittee and the property that is the subject of this permit of injury and damage from such hazards in connection with this permitted development; (iii) to unconditionally waive any claim of damage or liability against the Commission, its officers, agents, and employees for injury or damage from such hazards; and (iv) that any adverse effects to property caused by the permitted project shall be fully the responsibility of the landowner.

~~6)~~ **6) Limits of Development:** This permit authorizes the construction and operation of the Poseidon Carlsbad Desalination Project and associated infrastructure as described in the project description of this staff report, as clarified and modified by these conditions.

~~7)~~ **7) Final Plans:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval final plans for the project components located in the coastal zone. The Permittee shall undertake development in accordance with the approved plans and any changes shall be reported to the Executive Director. No material changes within the coastal zone shall occur without a Commission-

approved amendment to this coastal development permit unless the Executive Director determines that no amendment is necessary. Changes to the project requiring review for amendment would include changes in the physical, operational, or delivery capacity increases, or extension of water supply distribution pipelines beyond those shown on the final plans.

~~8)~~ **8) Marine Life Mitigation Plan:** PRIOR TO ISSUANCE OF THE PERMIT, the Permittee shall submit to and obtain from the Commission approval of a Marine Life Mitigation Plan in the form of an amendment to this permit that includes the following:

~~a)~~ **a)** Documentation of the project's expected impacts to marine life due to entrainment and impingement caused by the facility's intake of water from Agua Hedionda Lagoon. This requirement can be satisfied by submitting a full copy of the Permittee's Entrainment Study conducted in 2004-2005 for this project.

~~b)~~ **b)** To the maximum extent feasible, the mitigation shall take the form of creation, enhancement, or restoration of aquatic and wetland habitat.

~~c)~~ **c)** Goals, objectives and performance criteria for each of the proposed mitigation sites. It shall identify specific creation, restoration, or enhancement measures that will be used at each site, including grading and planting plans, the timing of the mitigation measures, monitoring that will be implemented to establish baseline conditions and to determine whether the sites are meeting performance criteria. The Plan shall also identify contingency measures that will be implemented should any of the mitigation sites not meet performance criteria.

~~d)~~ **d)** "As-built" plans for each site and annual monitoring reports for no less than five years or until the sites meet performance criteria.

~~e)~~ **e)** Legal mechanism(s) proposed to ensure permanent protection of each site – e.g., conservation easements, deed restriction, or other methods.

~~9)~~ **9) Change in Seawater Withdrawal:** If at any time during the life of the project Poseidon proposes or is required to withdraw more than an average flow of 304 MGD of seawater, it must obtain first an amendment to this permit.

~~10)~~ **10) Energy Minimization and Greenhouse Gas Reduction Plan:** PRIOR TO ISSUANCE OF THE PERMIT, the Permittee shall submit to the Commission a Revised Energy Minimization and Greenhouse Gas Reduction Plan that addresses comments submitted by the staffs of the Coastal Commission, State Lands Commission and the California Air Resources Board. The permit shall not be issued until the Commission has approved a Revised Energy Minimization and Greenhouse Gas Reduction Plan after a public hearing.

~~11)~~ **11) Public Access Enhancements:** PRIOR TO COMMENCEMENT OF OPERATIONS, Poseidon shall cause to be dedicated, in accordance with the City of Carlsbad's Precise Development Plan PDP 00-02, the below-described parcels of land. The dedications shall be in the form of easements, title transfers, and/or deed restrictions, whose purpose is to further Coastal Act goals of maximizing public access and recreational opportunities along the coast in the South Carlsbad Coastal Resource Redevelopment Area and maintaining, restoring and enhancing marine resources. The four sites are:

- Fishing Beach: public access and parking easement in favor of the City of Carlsbad covering approximately 2.4 acres of land along the west shore of Agua Hedionda Lagoon.
- Bluff Area: approximately 10.2 acres of land on the west side of Carlsbad Boulevard opposite the power plant, which shall be dedicated in fee title to the City of Carlsbad for recreational and coastal access uses.
- Hubbs Site: approximately 2 acres of land along the north shore of Agua Hedionda Lagoon to be used for a fish hatchery, aquatic research, and public access, which shall be deed restricted to uses such as fish hatchery, aquatic research, and trails.
- South Power Plant Parking Area: an access easement over approximately 0.3 acres of land on the east side of Carlsbad Boulevard near the south entrance of the power plant that shall be dedicated to the City of Carlsbad for public parking.

~~12)~~ **12) Dredging:** This permit does not authorize dredging that may be needed to maintain flows to the desalination facility's intake structure. The Permittee shall submit separate coastal development permit applications for proposed dredging operations.

~~13)~~ **13) Visual Resources:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval a Screening Plan. Desalination plant exterior mechanical equipment and facilities, including tanks, heating, air conditioning, refrigeration equipment, plumbing lines, duct work and transformers, shall be screened from view on all sides visible to the public. The design and material used for screening shall be architecturally compatible with the building.

~~14)~~ **14) Lighting Plan:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit a Lighting Plan to the Executive Director for review and approval. Exterior lighting for the desalination facilities shall serve the purpose of operations, security and safety only. The Lighting Plan shall demonstrate that project lighting is shielded from surrounding areas, and that only the minimum amount of lighting required for safety purposes is provided to avoid adverse effects on surrounding areas. In general, lighting fixtures shall be shielded downward and away from the ocean, lagoon and adjacent properties. Construction of the desalination plant and related facilities and improvements shall be in conformance with the approved plan.

~~15)~~ **15) Construction Plan:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit to the Executive Director for review and approval a Construction Plan. The Construction Plan shall identify the specific location of all construction areas, all staging areas, and all construction access corridors in site plan view in the coastal zone. The Plan shall identify any expected disruptions to public access to the shoreline and shall include measures to avoid, minimize, or mitigate for those disruptions.

The Plan shall also identify the type and location of erosion control/water quality best management practices that will be implemented during construction to protect coastal water quality, including the following:

- Silt fences, or equivalent apparatus, shall be installed at the perimeter of the construction areas to prevent construction-related runoff and/or sediment from entering the dunes and/or the Pacific Ocean.
- Grading and land alteration outside of the approved construction zone is prohibited.
- Equipment washing, refueling, and/or servicing shall not take place on the beach or sandy dune area. All construction equipment shall be inspected and maintained at an off-site location to prevent leaks and spills of hazardous materials at the project site.
- The construction site shall maintain good construction housekeeping controls and procedures (e.g., clean up all leaks, drips, and other spills immediately; keep materials covered and out of the rain (including covering exposed piles of soil and wastes); dispose of all wastes properly, place trash receptacles on site for that purpose, and cover open trash receptacles during wet weather; remove all construction debris from the beach).
- All erosion and sediment controls shall be in place prior to the commencement of construction as well as at the end of each workday. A copy of the approved Construction Plan shall be kept at the construction job site at all times and all persons involved with the construction shall be briefed on its content and meaning prior to commencement of construction. The Permittee shall notify the Executive Director at least three working days in advance of commencement of construction, and immediately upon completion of construction. The Permittee shall undertake construction in accordance with the approved Construction Plan. Any proposed changes to the approved Construction Plan shall be reported to the Executive Director. No material changes to the approved Construction Plan shall occur without a Commission amendment to this coastal development permit unless the Executive Director determines that no amendment is necessary.

~~16)~~ **16) Storm Water Pollution Prevention Plan:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit for Executive Director review and approval a Storm Water Pollution Prevention Plan (SWPPP). At minimum the SWPPP shall include the following Best Management Practices (BMPs):

- Gravel bags, silt fences, etc. shall be placed along the edge of all work areas as determined appropriate by the City's construction inspector in order to contain particulates prior to contact with receiving waters.
- All concrete washing and spoils dumping will occur in a designated location.
- Construction stockpiles will be covered in order to prevent blow-off or runoff during weather events.
- A pollution control education plan developed by the General Contractor and implemented throughout all phases of development and construction.
- Severe weather event erosion control materials and devices shall be stored onsite for use as needed.

~~17)~~ **17) Water Quality Technical Report:** PRIOR TO COMMENCEMENT OF CONSTRUCTION, the Permittee shall submit for Executive Director review and approval a Water Quality Technical Report as specified in the City of Carlsbad Standard Urban Stormwater Mitigation Plan (April 2003) (Carlsbad SUSMP) for the post construction desalination facility, prepared by a licensed Civil Engineer, which shall include plans, descriptions and supporting calculations. The Storm Water Management Plan shall incorporate all feasible Best Management Practices (BMPs) designed to reduce, to the maximum extent practicable, the volume, velocity and pollutant load of stormwater leaving the developed areas of the site. The plan shall include the following criteria:

- Post-Development peak runoff rates and average volumes shall not exceed pre-development conditions.
- Runoff from all parking areas, turnouts, driveways and other impermeable surfaces (e.g., roofs) shall be collected and directed through a system of structural BMPs including vegetated and/or gravel filter strips or other media filter devices or other equivalent means. The filter elements shall be designed to 1) trap sediment, particulates and other solids and 2) remove or mitigate contaminants through infiltration and/or biological uptake. The drainage system shall also be designed to convey runoff in excess of this standard from the developed site in a non-erosive manner.
- Provisions for maintaining the drainage and filtration systems so that they are functional throughout the life of the approved development. Such maintenance shall include the following: 1) the drainage and filtration system shall be inspected, cleaned and repaired prior to the onset of the storm season, but not later than September 30th each year and 2) should any of the project's surface or subsurface drainage/filtration structures fail or result in increased erosion, the applicant/landowner or successor-in-interest shall be responsible for any necessary repairs to the drainage/filtration system and restoration of the eroded area.

- A drainage system approved by the City Engineer to ensure that runoff resulting from 10-year frequency storms of 6 hours and 24 hours duration under developed conditions, are equal to or less than the runoff from a storm of the same frequency and duration under existing developed conditions. Both 6-hour and 24-hour storm durations shall be analyzed to determine the detention basin capacities necessary to accomplish the desired results.

The Permittee shall implement and maintain the Plan for the life of the project.

4.0 FINDINGS AND DECLARATIONS

4.1 Project Purpose and Description

The proposed project is a seawater desalination facility proposed by Poseidon Resources (Channelside) LLC (referred to herein as Poseidon). Poseidon's proposed facility would use about 304 million gallons per day (MGD) of water drawn from Agua Hedionda Lagoon ([the Lagoon](#)) in Carlsbad, San Diego County (see Exhibit 1), to produce 50 MGD of potable water for local and regional use.⁺³ At 50 MGD, Poseidon's proposed project would be the largest seawater desalination facility in the United States and in the Western Hemisphere. The proposed development also includes pipelines and pump stations necessary to deliver the produced water to a water reservoir in Carlsbad. The project's objectives include providing a local and reliable source of water, reducing local dependence on imported water, and providing water at or below the cost of imported water supplies. Poseidon has announced agreements to sell various amounts of its desalinated water to water districts in San Diego County for up to about 90 years.

Project Setting: The project would be located at the Encina power plant in Carlsbad on a site leased from the power plant owner, Cabrillo Power II, LLC (Cabrillo) (see Exhibit 2). During the past half-century, the power plant used water from Agua Hedionda Lagoon to cool its generating units. Poseidon's project as initially proposed in 1999 would have used some of the hundreds of millions of gallons of estuary water the power plant drew in from Agua Hedionda Lagoon to cool its generating units; however, Cabrillo recently proposed replacing the existing power plant with a new plant to be located elsewhere on the site, and which Cabrillo expects will be operating by 2010.²⁴ This new power plant would use dry cooling instead of using water from Agua Hedionda. Cabrillo proposes to keep two of the five units in the existing plant available for a few years beyond 2010 to provide additional grid reliability if needed, ~~and Cabrillo anticipates that these two units would operate only a few weeks per year.~~ [These two units](#)

⁺³ The project would use about 100 MGD in the desalination process to create about 50 MGD of potable water and about 50 MGD of a high salinity discharge. The total amount would vary based on project operations – e.g., during maintenance, periods of start-up, etc. – and could be as high as 129 MGD. To reduce the salinity concentrations of its discharge, Poseidon would pump an additional 200 MGD into its intake and discharge system for dilution. This is discussed in more detail in Section 2.5.1 of these Findings.

²⁴ On September 14, 2007, Cabrillo submitted to the California Energy Commission its *Application For Certification* to start the review process needed to replace the existing power plant (Application #07-AFC-06).

represent two-thirds of the generating capacity in the existing plant.⁵ The power plant’s generating capacity is subject to “Reliability Must Run” status, as contracted by the California Independent System Operator (Cal-ISO), which is meant to provide electrical grid reliability. At the October 2007 State Lands Commission meeting, a Cabrillo representative testified that the units will remain in service indefinitely and that Cal-ISO would determine when they are no longer needed for grid stability.

Cabrillo’s announced change in the power plant’s operations ~~represents a change in how Poseidon’s facility was originally proposed. The~~ was studied extensively in the project’s EIR prepared by the City of Carlsbad. Specifically, the City’s EIR evaluated the project both as a co-located and ~~standalone~~ stand-alone facility (that is, operating both with and without concurrent power plant operations), and determined that a ~~standalone~~ stand-alone facility would cause considerably less entrainment and impingement losses than the existing power plant operations and would have no significant ~~entrainment impacts. However, the City certified the EIR before Poseidon provided results of its entrainment study showing a new standalone desalination facility would cause a loss of biological productivity equal to about 37 acres of estuarine habitat in Agua Hedionda (see additional related Findings in Section 4.5.1). Poseidon’s project would no longer function as a co-located desalination facility—that is, it would not re-use the estuarine water already used by the power plant—but instead would be a new “stand-alone” facility, drawing in water just for desalination.~~ impacts.⁶ Poseidon’s lease with the power plant owner would allow it to operate the power plant’s pumps when the power plant is shut down and would allow the proposed desalination facility to operate for up to 90 years. These Findings evaluate Poseidon’s proposal as a “stand-alone” facility and the analyses herein are based on the coastal resource impacts that would result from the “stand-alone” project.

A key environmental feature of the proposed project site is Agua Hedionda Lagoon. Several sections of these Findings address potential project-related impacts to the lagoon’s water quality and habitat values and the measures imposed to mitigate those impacts and ensure conformity to the Coastal Act. The description below provides a brief introduction to the lagoon and subsequent sections provide additional relevant details.

Agua Hedionda Lagoon is a coastal estuary that extends about 1.7 miles inland and is up to about one-half mile wide. It is at the downstream end of Agua Hedionda Creek, which has a watershed of about 29 square miles. The lagoon has been altered substantially over the past century or so. It has been bridged several times – in the late 1800s for a railroad, in 1919 for the Pacific Coast Highway, and in 1967 for Interstate 5. It now consists of three main “lobes” – an Outer Basin of about 66 acres, a Middle Basin of about 23 acres, and an Inner Basin of about 167 acres. The lagoon’s mouth is about 3,000 feet north of the power plant, and is maintained by two jetties extending a few hundred feet into the ocean. The jetties are on State tidelands and are leased by

⁵ [Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. B, at p. 2.](#)

⁶ [See also Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at pp. 9-11; see Project EIR Section 4.3.](#)

the State Lands Commission to Cabrillo. The power plant also has a State Lands lease for use of its discharge structure, which crosses a state beach and state tidelands to the south of the lagoon mouth (see Exhibit 3).

Before the mid-1950s, Agua Hedionda Lagoon was a shallow coastal wetland that was periodically shut off from tidal flows (the name is Spanish for “stinky water”). In the mid-1950s, Southern California Edison purchased much of the lagoon and dredged about four million cubic yards of material to create an intake channel for the power plant’s cooling water system.³⁷ Edison sold the power plant in 1999. The power plant has operated since the mid 1950s using up to about 850 million gallons per day of water from the estuary, although its water use has declined significantly in recent years. It has required regular dredging during that time to maintain the power plant’s intake channel, with at least 25 separate dredging events occurring during the power plant’s history. The estuary is also used for other purposes, including aquaculture (sea bass net pens, and a mussel farm), recreation (primarily boating and beach use), and ocean research (Hubbs-Seaworld Research Institute). Cabrillo, the current owner, also allows use of the lagoon for various scientific research and monitoring activities. [A study submitted by Dr. Scott Jenkins on September 28, 2007 on behalf of Poseidon indicates that if the Lagoon is not regularly dredged, the Lagoon would close in about five to seven years and slowly revert back to its natural state of stagnant “stinky water.”⁸ In its natural state, the Lagoon would be comprised of shallow marsh channels filled with hyper-saline water, and current recreational, fishing and aquaculture activities could no longer function. Dredging of the Lagoon also provides sand to maintain Carlsbad State Beach, grunion spawning habitat, and a popular surfing break. Without the sand provided by regular dredging, each of these uses would be severely impacted.](#)

The state’s water quality standards identify Agua Hedionda Lagoon’s listed beneficial uses as the power plant’s industrial use, recreational uses, aquaculture, and habitat. The estuary is also listed as impaired, pursuant to Section 303(d) of the federal Clean Water Act, due to excess sedimentation and coliform bacteria. Additionally, the Carlsbad Watershed Management Plan⁴⁹ identifies the lagoon as being further impaired due to habitat fragmentation and the presence of invasive species. During the past several years, the lagoon experienced an outbreak of the highly

³⁷ In 1999, Southern California Edison sold most of the power plant property and Agua Hedionda Lagoon to Cabrillo, although it continues to own land along the lagoon’s shoreline.

⁸ [Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon: Low Flow vs. No-Flow Alternatives, Dr. Scott Jenkins, September 28, 2007.](#)

⁴⁹ The Carlsbad Watershed Plan was published in 2002 pursuant to an NPDES permit issued in 2001 by the State Water Resources Control Board to the cities of San Diego County. The permit requires participating cities to develop a cooperative and coordinated watershed approach to address water quality issues. The Plan’s goals include the following: “*Protect coastal and wetland resources:* Extra credit should be given to “Action Items” that serve to protect the wetland resources, sensitive species and fragile ecosystems associated with coastal lagoons and riverine resources. These resources are not only sensitive and highly valued, but they support a great diversity of species and tend to be “sink holes” where water quality problems become much greater.”

invasive *Caulerpa taxifolia*, but in 2006 local and state efforts to eradicate *Caulerpa* from the lagoon were deemed successful. Monitoring for *Caulerpa* continues, however.

Despite these impacts and the degraded water quality, Agua Hedionda continues to provide significant habitat values. The California Department of Fish and Game (DFG) includes it in a list of 19 “high-priority” coastal wetlands and DFG manages a Marine Ecological Reserve within the lagoon that provides habitat for a number of listed sensitive species. These features are described in more detail in Section 4.5.1 of these Findings.

Need for the Project: The project would provide a much-needed source of potable water for Southern California. Since Poseidon filed its Coastal Development Permit (“CDP”) application, the water supply situation in the State of California – already bad – has substantially deteriorated. Poseidon has provided the Commission with evidence demonstrating a looming water crisis that clearly identifies the need for California, and more specifically San Diego County, to lessen its demand on the State Water Project and Colorado River watersheds, which were critically dry in 2007.¹⁰

There is a convergence of warnings that California’s water supply will continue to shrink. Climate change brought on by global warming could disrupt weather patterns, leaving the state vulnerable to drought. If 2008 offers hydrologic conditions similar to those of 2007, some significant sources of water for Southern California may not be available. A recent example of the deteriorating supply situation occurred in May 2007, when state water officials temporarily turned off the pumps that send water to Southern California from the Sacramento-San Joaquin Delta to protect the endangered smelt and salmon.¹¹ In addition, the Metropolitan Water District announced that it will cut agricultural water deliveries by 30 percent beginning January 1, 2008, which could have an enormous impact on San Diego County’s large agricultural economy.¹²

Moreover, State, regional, and local water plans all have confirmed that the immediate and pressing water needs are so great, that they cannot be met by conservation and recycled water alone and that a substantial investment in seawater desalination, including the project, is required. The project’s capacity of 56,000 AFY of new water supply for the San Diego region is about ten percent of 500,000 AFY of desalinated water identified by the California Department of Water Resources as needed by 2030, as stated in its 2006 Water Plan Update. This Update lists the project as a potential source of desalinated water. The Metropolitan Water District of Southern California’s Integrated Water Resources Plan identified a need for 150,000 AFY of seawater desalination (including 56,000 AFY from the Carlsbad project) to ensure regional water supply reliability. In addition, the San Diego

¹⁰ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at p. 5.

¹¹ See *id.*

¹² See *id.*

County Water Authority updated its 2005 Urban Water Management Plan in April 2007 specifically to reaffirm the need for 56,000 AFY of seawater desalination from the project by 2011. The project is a central component of state, regional and local water supply planning to meet already-identified demand.¹³

Recognizing the importance of the project, eight water agencies – Carlsbad Municipal Water District, Valley Center Municipal Water District, Rincon del Diablo Municipal Water District, Sweetwater Authority, Rainbow Municipal Water District, Santa Fe Irrigation District, Vallecitos Water District, and Olivenhain Municipal Water District – have already contracted to purchase 100% of the project’s capacity, and have identified the project’s water supply as a component of their water plans.¹⁴

4.2 Background

Seawater Desalination’s Role in California’s Water Portfolio

Both California and the Coastal Commission have recognized that environmentally and economically appropriate seawater desalination is an acceptable method for providing part of the state’s water supply. There are currently about a dozen facilities operating along the California coast, mostly providing relatively small amounts of water to local users or to certain industrial facilities. During the past few years there has been increased interest in seawater desalination, due largely to recent advances in desalination technology, concerns about increasing the reliability over local water supplies, and interest in reducing dependence on imported supplies. There are now about twenty proposals for new facilities to be built along the coast to serve both local and regional water needs.

The 2005 Update of California’s State Water Plan expects seawater desalination to provide about 200,000 acre-feet of water by 2030. Both the Metropolitan Water District of Southern California (MWD) and the San Diego County Water Authority (SDCWA, or Authority) have included seawater desalination as part of their long-term water supply portfolio. The Authority has established a goal that seawater desalination provide 89,600 acre-feet of its water supply by 2030. Even the Southern Nevada Water Authority has identified seawater desalination as part of its long-term water supply, with its idea being that water from the Colorado River would be used in Nevada in exchange for the Nevada water users paying for desalinated water to be produced along the California coast.

Several recent initiatives in California illustrate this increased interest:

¹³ See id. at p. 6.

¹⁴ See id. at p. 6-7.

- **State Desalination Task Force:** In 2003, pursuant to AB 2717, the California Department of Water Resources convened an interagency task force^{§15} to report to the Legislature on potential opportunities and impediments for using seawater and brackish water desalination, and to examine what role, if any, the state should play in furthering the use of desalination technology. Based on information provided during a series of workshops around the state, the task force developed recommendations and guidelines for desalination projects proposed in California. Some key task force findings applicable to this proposed project include:
 - *Desalination can provide a reliable supply during California’s periodic droughts.*
 - *Many communities and water districts are interested in developing desalination facilities as a local, reliable source of water to reduce their dependence on imported water and/or to meet existing or projected demand. Some communities see desalination as a way to reduce their diversions from rivers and streams, thus contributing to ecosystem restoration.*
 - *Technologically, desalination is a proven, effective mechanism for providing a new source of water. A variety of desalination technologies have been applied in many locations throughout the world.*
 - *Economically and environmentally acceptable desalination should be considered as part of a balanced water portfolio to help meet California’s existing and future water supply and environmental needs.*
 - *While they vary on a site-specific level, potential impediments to seawater desalination include the environmental impacts associated with the feedwater intake and brine/concentrate disposal. As is the case with many other water management strategies, other potential issues include cost, siting and growth-inducement.*
 - *With proper design and location of outfalls, brine/concentrate disposal may not be a major impediment to desalination.*
 - *Seawater desalination is more energy intensive, per acre-foot, than brackish water desalination or water recycling. For energy comparison purposes, current desalination*

^{§15} Task Force members included representatives from: State agencies – California Department of ~~W~~Water Resources, Coastal Commission, State Water Resources Control Board, Central Coastal Regional ~~W~~Water Quality Control Board, Energy Commission, ~~D~~Department of Health ~~S~~Services, Resources Agency, California Environmental Protection Agency, Department of Food and Agriculture, CALFED, Bay Conservation and Development Commission, Department of Fish and Game, University of California; federal agencies – Bureau of Reclamation, Monterey National Marine Sanctuary; local governments and water agencies – Monterey County Health Department, City of Long Beach Water Department, League of Cities, County Supervisor Association of California, Central Basin and West Basin Municipal Water Districts, Marin Municipal Water District, Inland Empire Utilities Agency; and interest groups – California Building Industry Association, Surfrider, American Membrane Technology Association, National Water Research Institute, Clean Water Action and Clean Water Fund.

systems using reverse osmosis technology require about 30 percent more energy than existing interbasin supply systems currently delivering water to parts of Southern California. Efforts including those supported by the Bureau of Reclamation, U.S. Desalination Coalition, and the National Water Research Institute are underway to increase the energy efficiency of desalination through improved membranes, dual pass processes, and additional energy recovery systems.

- *Advantages to co-locating desalination facilities with coastal power plants using once-through cooling may include: compatible land use, use of the existing infrastructure for feedwater intake and brine discharge, location security, use of the warmed power plant cooling water as the feedwater for the desalination facility, reduction of the power plant discharge thermal plume and the potential to purchase power from the host power plant at prices below retail rates.*
- *Co-locating a desalination facility with a coastal power plant may provide a justification for the continued use of once-through cooling technology. Once through cooling technology has well-documented environmental impacts, including impacts on marine organisms.*
- *The appropriate State regulatory agencies have indicated that the siting of a new desalination facility, which utilizes any new or existing open water feedwater intakes, will require a current assessment of entrainment and impingement impacts as part of the environmental review and permitting process.*
- *Various technologies exist that may avoid, reduce or minimize the impacts of feedwater intake.*
 - *Drawing feedwater from beach wells is one way to avoid the ecological impacts of entrainment and impingement associated with open water intakes; however, the capacity of each well is limited and is subject to local hydrogeologic conditions.*
 - *Low velocity intake systems, marine fish screens, sub-floor intakes and appropriate intake pipe design and location are methods that may reduce or minimize impacts of entrainment and impingement associated with open water intakes.*
- *Water, including ocean and estuarine water, is a public resource, subject to the public trust doctrine, and should be protected and managed for the public good.*
- *The extent to which private companies are involved in the ownership and operation of proposed desalination plants varies widely, from completely private projects that may be regulated by the State Public Utilities Commission, to public-private partnerships, to projects that would be wholly owned, operated and controlled by public entities. The involvement of private companies in the ownership and/or operation of a desalination plant raises unique issues.*

- *There are implications associated with the range of public-private possibilities for ownership and operation of desalination facilities. Local government has the responsibility to make the details of these arrangements available to the public.*
- *Recently adopted international trade agreements and international trade agreements currently being negotiated may affect how federal, State and local agencies adopt or apply regulations concerning activities of public agencies or private entities with multinational ties.*
- *Desalination proposals are subject to existing regulatory and permitting processes to ensure environmental protection and public health.*
- *Environmental justice considerations include the siting of desalination facilities, determining who accrues the costs and benefits of desalination and who has the opportunity to use higher quality (desalinated) water, and the possible impacts of replacing low-cost with high-cost water.*
- *Growth inducing impacts of any new water supply project, including desalination, must be evaluated on a case-by-case basis through existing environmental review and regulatory processes.*
- *Each desalination project involves different environmental characteristics, other water supply alternatives, proposed plant ownership/operation arrangements, demographics, economics, community values and planning guidelines.*

- **Coastal Commission Report – Seawater Desalination and the California Coastal Act:** In 2004, Commission staff published a report describing many of the issues associated with seawater desalination along the California coast and discussing how proposed desalination facilities could conform to Coastal Act provisions. The report provides general information about desalination, describes the status of desalination in California, identifies key Coastal Act policies most likely to apply to proposed desalination facilities, and identifies much of the information likely to be required during review of a coastal development permit application for those facilities.

Its key conclusions recognize that each facility will require case-by-case review due to the unique operating characteristics and environmental settings, that Coastal Act policies do not suggest overall support of, or opposition to, desalination, that there may be differences in applying those policies to public or private proposals, that the most significant potential impacts to address are likely entrainment of marine organisms and growth-inducement, and that proposed co-located facilities raise unique issues regarding Coastal Act conformity.

- **Proposition 50 Grants:** As part of Proposition 50, which Californians approved in 2002 to provide funding for a number of water-related projects around the state, the state Department of Water Resources distributed about \$50 million to public agencies for various types of desalination research projects. Several of the Commission's past decisions have been in

support of these projects – for example, the Commission has approved projects conducted by the City of Long Beach Water Department to conduct pilot tests and subsurface intake methods and projects by the Metropolitan Water District of Orange County for its innovative and successful research on using slant-drilled wells for subsurface desalination intakes.

There are also a number of initiatives at local or regional levels to support or research the potential for seawater desalination to provide part of an area's water supply. For example, Southern California's Metropolitan Water District (MWD), which represents most water agencies in coastal Southern California, established a program offering to its member agencies subsidies of up to \$250 for each acre-foot of desalinated seawater produced. The agencies eligible for this subsidy include the San Diego County Water Authority, Long Beach Water Department, Los Angeles Department of Water and Power, West Basin Municipal Water District, and the Municipal Water District of Orange County. The MWD has also provided about \$250,000 to its member agencies for desalination research.

Association with a power plant once-through cooling water intake system

Poseidon proposes to use the existing Encina power plant intake and discharge. Originally, Poseidon planned to reuse some of the estuary water the power plant drew in from Agua Hedionda Lagoon to cool its generating units. However, as discussed in Section 4.1 above, Cabrillo has applied to cease operations of its existing facility and to build a new power plant. In September 2007, Cabrillo applied to the California Energy Commission to build by 2010 a new, smaller, dry-cooled power plant on site that would not use water from Agua Hedionda. Cabrillo's proposal includes removing three of the existing plant's five generating units and operating the remaining two units only part time (~~expected to be up to a few weeks per year~~) for several more years until replacement power becomes available.⁶ The two remaining generating units represent 528 MGD of pumping capacity. As noted previously, the power plant is subject to "Reliability Must Run" contracts with Cal-ISO. At the October 2007 State Lands Commission hearing, a Cabrillo representative stated that the generating units will be available for service indefinitely and that Cal-ISO would ultimately determine when they are no longer needed for grid reliability. Once the power plant's operations cease, Poseidon would continue to use the existing power plant intake and discharge for its water supply. The proposed project was the subject of CEQA review conducted by the City of Carlsbad, and the Final EIR, certified by the City on June 14, 2006, addressed the potential stand-alone operation of the facility and concluded that such a facility would not result in any ~~new~~ significant adverse environmental impacts.¹⁶ ~~After the EIR was certified in June 2006,~~ Poseidon also provided Commission staff ~~in 2007~~ with results of its entrainment study showing impacts roughly equal to ~~the loss of~~ reduced productivity from 37 acres of wetlands and open water in Agua Hedionda

⁶ ~~Although the power plant has been permitted in the past to use up to about 857 MGD of estuarine water, its recent average use has been well below that amount. In the first half of 2007, for example, its average use was 120 MGD, and it had more than sixty days with no operations.~~

¹⁶ See Project EIR Section 4.3, Appendix E.

Lagoon.¹⁷ Poseidon also provided in December 2006 and May 2007 technical papers showing the amount of ~~L~~Lagoon sedimentation caused by use of the intake.⁷¹⁸

As a stand-alone facility, Poseidon would operate the power plant's pumps to take in approximately 304 MGD of estuarine water. The project would use about 100 MGD of that water in the desalination process to create about 50 MGD of potable water and about 50 MGD of a high salinity discharge. The facility's NPDES permit issued to Poseidon by the Regional Board requires that Poseidon's discharge not exceed a maximum salinity level of 40.1 parts per thousand. ~~To meet this discharge requirement,~~ Poseidon would use the additional 200 MGD of estuarine water it pumps in to reduce its discharge's salinity concentration to levels established in the NPDES permit.

Some other reverse osmosis desalination facilities can produce a particular amount of potable water by using about twice that amount of seawater (i.e., a 2:1 ratio), but because of the approach used in this project to dilute Poseidon's discharge and due to the Regional Board's requirements, this project would require a 6:1 ratio. This is discussed in more detail in Section 4.5.1 of these Findings.

Poseidon's proposed operating scenario is to ~~operate~~use the power plant's Unit 4 pumps, which would provide the necessary 304 MGD.⁸¹⁹

A number of regulatory, policy, and legal challenges have been raised with respect to once-through cooling. Their relevance to the project is not yet certain, in part because while the ~~desalination facility~~project will use the existing power plant once-through cooling system, it will not be using that system for once-through cooling. Issues that may be relevant include:

¹⁷ [See Carlsbad Seawater Desalination Project Revised Flow, Entrainment, and Impingement Minimization Plan, June 1, 2007, Attachment 4, Tenera Environmental, Inc., Assessment of Potential Impingement and Entrainment Attributed to Desalination Plant Operations and Associated Area of Production Forgone, May 2007, at p. 4.](#)

⁷¹⁸ See Carlsbad Seawater Desalination Project Revised Flow, Entrainment, and Impingement Minimization Plan, June 1, 2007: Attachment 6, Scott A. Jenkins and Joseph Wasyl, *Coastal Process Effects of Reduced Intake Flows at Agua Hedionda Lagoon*, December 13, 2006, Attachment 8, Steve Le Page, *Potential Adverse Changes in Agua Hedionda Lagoon Resulting From Abandonment of the Lagoon Intake*, May 18, 2007.

⁸¹⁹ The power plant has five separate generating units, each with two cooling water pumps and one or two service pumps. Each unit's pumps have a different capacity, from about 73 MGD to 326 MGD. Poseidon's preferred scenario would be to operate the Unit 4 pumps, which would provide the required 304 MGD rate. The Regional Board determined that 304 MGD would be necessary to adequately dilute Poseidon's 50 MGD high salinity discharge. On June 1, 2007, Poseidon submitted to the Board a *Revised Flow, Entrainment and Impingement Minimization Plan* that the Board is currently reviewing. The draft Plan states that operating the Unit 4 pumps would result in a discharge of 304 MGD with a salinity level of 40.1 parts per thousand, which is the limit established in the facility's ~~conditional~~-NPDES permit. This operating scenario serves as the basis of the various analyses in these Findings related to entrainment, impingement, greenhouse gas emissions, and others.

- *Entrainment/impingement studies along California’s coast:* California’s coastal power plants have been studied over the past few years to determine what effects their use of seawater for cooling has on the marine environment.⁹²⁰ These power plants can use from several hundred million gallons per day to over two billion gallons per day of water from the nearshore ocean, open embayments, and enclosed estuaries. Each of the studies showed these cooling water intakes cause significant adverse effects to the marine environment that in some cases extended up to dozens of miles along the coast or covered up to hundreds of acres of nearshore waters.
- *California Ocean Protection Council’s Once-Through Cooling Policy:* In response to these studies and in recognition of the degraded quality of California’s ocean environment, the California Ocean Protection Council last year adopted a policy to reduce the adverse effects of once-through cooling systems.¹⁰²¹ The resolution recognizes that such systems cause significant adverse impacts to the marine ecosystem. The Commission further directed its staff to complete by December 2007 a study of alternative cooling methods that would reduce impacts, urged the State Water Resources Control Board to implement the most protective controls to reduce entrainment and impingement impacts by 90-95%, and established an interagency coordinating effort to address once-through cooling issues.¹¹²²
- *Changes in regulatory / legal status of seawater intake systems:* In January 2007, the 2nd Circuit Court of Appeals determined that U.S. EPA rules for regulating existing power plant cooling water intakes did not conform to Clean Water Act requirements (*Riverkeeper, Inc., v. United States EPA*, 475 F.3d 83, 97 (2d Cir. 2007)).¹ The court’s decision, known as *Riverkeeper II* and which applies nationwide, found that cooling water intakes had to reduce entrainment impacts through technological measures and could not use compensatory mitigation as a means of compliance. In response, the U.S. EPA rescinded its proposed requirements and directed state water quality agencies to use Best Professional Judgment in determining applicable NPDES requirements for once-through cooling systems. For most power plants, this *Riverkeeper II* decision means that continued use of their existing cooling water systems would not comply with the Act’s requirements. As noted previously, five of California’s coastal power plants have since announced that they will switch to a less environmentally damaging cooling method.

Poseidon contends that this decision has no effect on its ability to use the intake when the power plant shuts down because it would not use the intake for cooling water. ~~However, in conjunction with that ruling, the~~

⁹²⁰ Since 1998, power plant entrainment/impingement studies done in California include South Bay (in San Diego), Huntington Beach (Orange County), Diablo Canyon and Morro Bay (San Luis Obispo County), and Moss Landing (Monterey County).

¹⁰²¹ See *Resolution of the California Ocean Protection Council Regarding the Use of Once-through Cooling Technologies in Coastal Waters*, April 20, 2006.

¹¹²² Coastal Commission staff is active in the interagency coordinating group.

Moreover, Poseidon contends, even though it is speculative how or whether future Phase II regulations might impact the EPS's use of the intake structures, the impacts of the project as a stand-alone facility already have been analyzed. These studies and analyses show that entrainment caused by a stand-alone project would be significantly less than that already caused by the EPS, which is a small amount that does not affect sustainability of the species. Similarly, the project, as a stand-alone facility, would impinge only a small mass of organisms. A stand-alone facility would also comply with a discharge limitation of 40 ppt, below which no salinity-related impacts would occur.²³ A study submitted by the applicant also shows that if the Lagoon is not regularly dredged, the Lagoon would close in about five to seven years and slowly revert back to its natural state of stagnant "stinky water," which consists of shallow marsh channels filled with hyper-saline water that would preclude current recreational, fishing and aquaculture activities.²⁴ Thus, Poseidon's commitment to continue operation and maintenance dredging of the Lagoon if EPS ceases to use its intakes and stops its regular Lagoon dredging would avoid greater marine impacts that would otherwise occur in the Lagoon if dredging ceased.²⁵

Poseidon states, even if future Phase II regulations do impact the EPS's use of the intake structures – which is speculative – they would not prohibit Poseidon's use of them. As indicated in Section 316(b) and the Phase II regulations, as well as the State Board's scoping document regarding its Section 316(b) policy, Section 316(b) does not apply to desalination facilities, such as the project. Section 316(b) applies only to "cooling water intake structures," which withdraw "water used for contact or non-contact cooling, including water used for equipment cooling, evaporative cooling tower makeup, and dilution of effluent heat content," intended "to absorb waste heat rejected from the process or processes used, or from auxiliary operations on the facility's premises."²⁶ The Phase II regulations apply only if the facility: (1) is a point source; (2) uses cooling water intake structures with a capacity to withdraw at least 50 MGD of cooling water; (3) generates electric power either to transmit or to sell for eventual transmission; and (4) uses at least 25 percent of water withdrawn exclusively for cooling purposes.²⁷ Poseidon contends that the regulations are not applicable to the project, as it is not an electrical generating facility and would not use water for cooling purposes. Poseidon relies on the State Board's Section 316(b) scoping document, which states that desalination plants are "outside the scope of the Clean Water Act [Section] 316(b)" and "would be more appropriately addressed through

²³ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at p. 15.

²⁴ *Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon: Low Flow vs. No-Flow Alternatives*, Dr. Scott Jenkins, September 28, 2007.

²⁵ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at pp. 25-26.

²⁶ 40 § C.F.R. 125.93.

²⁷ See *id.* at § 125.91.

the other water quality control plans.”²⁸ Thus, Poseidon contends it would not be prohibited by any future Section 316(b) regulations from using the EPS’s existing intake structures.²⁹

Furthermore, when petitioned to review the NPDES Permit issued by the San Diego Regional Water Quality Control Board (“Regional Board”) for the Project, the State Water Resources Control Board (“State Board”) determined that the petition, which included allegations that Section 316(b) is applicable, was without merit, and dismissed the petition.³⁰ Those petitioners alleged that the NPDES Permit should have contained a “reopener” requiring the Regional Board to reopen the permit upon finalization of the State Board’s Section 316(b) policy.³¹ Poseidon’s response to the petition explained that neither the Section 316(b) regulations nor the State Board’s policy were applicable to the Project, and a reopener related to Section 316(b) thus was not necessary.³² Finding that the petition “fail[ed] to raise substantial issues that are appropriate for review,” the State Board dismissed the petition. The State Board has, therefore, decided that the Regional Board’s actions with respect to Section 316(b) were not appropriate for review. Regardless of whether EPS will, in the future, be prohibited from using its cooling water intake structures, causing the Project to operate as a stand-alone facility, Poseidon contends that it would not be prohibited by Section 316(b) or future Phase II regulations from using the intake structures.³³

The State Water Resources Control Board is developing a *Statewide Policy for Once-Through Cooling*⁺²³⁴ that will incorporate the *Riverkeeper II* decision, which was a decision involving the federal Clean Water Act, but will also be based primarily on a state requirement that regulates more than just cooling water structures. Porter-Cologne Act Section 13142.5(b)⁺³³⁵ states:

“For each new or expanded coastal powerplant or other industrial installation using seawater for cooling, heating, or industrial processing, the best available

²⁸ See State Board, Scoping Document: Proposed Statewide Policy on Clean Water Act Section 316(b) Regulations, at 28 (June 13, 2006).

²⁹ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at p. 15.

³⁰ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. B at p. 6.

³¹ Id.

³² Id.

³³ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at p. 16.

⁺²³⁴ In July 2006, the Board initiated CEQA review for the proposed policy and is expected to issue a draft policy sometime in early 2008, with a final policy later in 2008.

⁺³³⁵ Pursuant to Coastal Act Section 30412(a), the Commission shares responsibilities with the State Board in implementing this section of the Porter-Cologne Act.

site, design, technology, and mitigation measures feasible shall be used to minimize the intake and mortality of all forms of marine life.”

Although Poseidon’s use of the power plant intake structure would not be for cooling purposes, ~~it would~~ and while it is possible that it may in the future be subject to this Porter-Cologne Act provision ~~and would cause the same type of entrainment and impingement impacts both the Clean Water Act and the Porter-Cologne Act require be avoided and minimized, such a scenario is speculative. At this time, the Regional Water Quality Control Board is processing a plan to regulate Poseidon’s use of the power plant intake structure for desalination purposes, and this plan is expected to fully comply with Water Code Section 13142.5(b). This plan is described in more detail in Section 4.5.1 of these findings.~~

Without the mitigation measures in the Special Conditions contained herein, the proposed use of the existing intake and discharge facilities would be inconsistent with applicable Coastal Act policies. As mitigated and conditioned, the Commission finds the project will be consistent with the Coastal Act, as the Special Conditions will ensure Poseidon will implement all feasible mitigation measures to reduce impacts and ensure that marine resources are maintained and enhanced to the maximum extent feasible.

Public use of water

Poseidon has announced purchase agreements totaling 57,900 acre-feet of water per year with the following water agencies:

- Carlsbad Municipal Water Department: 22,000 acre-feet per year, or about 20 MGD
- Olivenhain Municipal Water District: 5,000 acre-feet per year, or about 4.5 MGD
- Rainbow Municipal Water District: 7500 acre-feet per year, or about 6.5 MGD
- Rincon Del Diablo Municipal Water District: 4,000 acre-feet per year, or about 3.5 MGD
- Sante Fe Irrigation District: 2000 acre-feet per year, or about 1.8 MGD
- Sweetwater Authority: 2400 acre-feet per year, or about 2 MGD
- Vallecitos Water District: 7500 acre-feet per year, or about 6.5 MGD
- Valley Center Municipal Water District: 7,500 acre-feet per year, or about 6.5 MGD

Poseidon’s stated objective is to provide water to purchasers at or below the price they would pay for imported water, and its purchase agreements with these agencies are based on that objective. These agencies, all of which are members of the San Diego County Water Authority, currently purchase imported water from the Authority at rates ~~ranging from about \$250 to~~ based

on the Municipal & Industrial (M&I) treated water rate, which is approximately \$700 per acre-foot, which ~~are well~~is below the costs anticipated for water from the Poseidon project. Cost considerations are described in more detail later in this section.

Of the purchasers above, several would not be able to receive water directly from Poseidon's facility, as they are some distance from Carlsbad – for example, the Sweetwater Authority is about twenty miles away at the southern end of San Diego Bay and both Rincon and Valley Center are several miles inland. Instead, Poseidon's intent is to allow some of the agencies to trade water it has purchased from Poseidon to agencies closer to the facility in exchange for those nearby agencies' rights to imported water.

The project as currently proposed would allow for only limited exchanges, since it does not include several elements of public infrastructure needed to distribute the water beyond adjacent communities. Poseidon's proposal includes pipelines and pumps necessary to transport its produced water to Carlsbad's Maerle Reservoir, which serves parts of Carlsbad ~~and neighboring Oceanside and Vista only~~, and its other pipelines would serve parts of some other neighboring communities. Poseidon's proposal includes several pipeline route alternatives, for the most part outside the coastal zone, that would allow it to provide water to portions of the cities of Carlsbad, Oceanside, Vista, San Marcos, Escondido, Encinitas, and Solana Beach. The project EIR examined facilities to connect with these local water delivery systems. ~~Getting water from this reservoir to the regional distribution system where it would be usable or tradable by other water agencies would require an additional pump station and pipeline between the reservoir and elements of the regional system located further inland and several hundred feet higher in elevation.~~ Poseidon does not currently plan to connect the desalination facility to the regional water distribution system. ~~This connection is not necessary to deliver water between the facility and the neighboring communities listed above. The new pump station and pipeline are not a part of the proposed project, but instead are included in the SDCWA's 2007 Draft Integrated Water Resource Management Plan. This Plan shows that the anticipated capital costs for these facilities are \$80 million and ongoing operations and maintenance costs would be \$2.5 million. These costs would need to be added to any costs charged by Poseidon and would represent an additional cost to any purchaser needing to either obtain the desalinated water via the regional system or use that system to trade with other agencies. The Borego Water District, in its Board meeting minutes of September 26, 2007 describing its consideration of water purchases from the proposed desalination facility, identified the expected transmission costs as \$140 per acre foot. Cost issues are described in more detail later in this Section. Without the additional infrastructure, the actual usable water from Poseidon's proposed facility would be limited to water to those areas listed above in and near Carlsbad.~~ Because all of the water districts in San Diego County are connected to the same imported water delivery system, it is not necessary for the desalination facility to be connected to the regional system to exchange water among the agencies located in close proximity to the plant and those that are located outside the reach of the desalinated water delivery system.³⁶ Further, Maerle

³⁶ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at p. 32.

Reservoir is currently designated by Carlsbad as its required emergency storage reservoir – that is, water stored there is meant to provide the City with a 10-day emergency water supply during a shutdown of the regional delivery system – and, as noted in the City of Carlsbad Water *Master Plan Update (March 2003)*, ~~that designation would have to be changed to allow Poseidon to use the reservoir to store or transport water to the regional distribution system. That change would also presumably have to identify an alternative 10-day emergency source for Carlsbad.~~ Purchase Agreement, Carlsbad’s need for water from the regional delivery system would be significantly reduced after the project comes online; freeing up capacity in Maerkle Reservoir for operational storage of desalinated water.

Expected Project Costs

The Commission does not directly regulate costs; however, the Coastal Act includes consideration of project costs in an indirect ~~but important way. Some Coastal Act provisions require the Commission to determine whether~~ way, but only to the extent the Commission were to find that the project is inconsistent with one or more relevant Coastal Act policies and therefore was required to make findings under Coastal Act Section 30260 for Coastal Development Projects. If a project is inconsistent with one or more Coastal Act Policies, a coastal dependent use such as the project could be approved if the Commission finds that ~~the~~ certain adverse impacts of the proposed project are mitigated to the maximum extent feasible or whether there are feasible and less environmentally damaging alternatives to aspects of a proposed project ~~(see, for example, Coastal Act Sections 30121.5, 30230, 30231, 30233(a), and 30260).~~ Coastal Act Section 30108 defines “feasible” as “capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technological factors.” Therefore, information about proposed project costs may sometimes be necessary to fully evaluate what project changes or mitigation measures may be economically feasible. The Commission includes the following discussion of the project’s estimated costs to use in later sections of these Findings regarding feasible mitigation measures and alternatives.³⁷

One of Poseidon’s objectives and the basis of its purchase agreements is to provide water to water districts at or below the costs of imported water.⁴³⁸ Those costs ~~now range from~~ are about

³⁷ However, as the Commission previously found, the Project is consistent with all applicable Coastal Act policies.

⁴³⁸ More precisely, Poseidon’s Water Purchase Agreements describe the price as: “The lower of (i) the sum of (A) \$861/acre-foot [\$0.70/m³] (the “Base Price” in 2004 dollars) and (B) a delivery charge for transportation of the desalinated water to the Exchange Partner; and (ii) the sum (the “Avoided Cost”) of (A) Buyer’s cost of water supplied by the SDCWA and (B) any subsidy received by Buyer from MWD or any other third party for the purchase of water from the Project. To the extent the Base Price plus the delivery charge is less than the Avoided Cost, the savings shall be shared equally between the Parties.”

The “Avoided Cost” method is equal to the sum of costs charged by the San Diego County Water Authority. The “Base Price” method is tied to the Consumer Price Index and is based on the following formula:

$$\text{Current Base Price} = (\text{Base Price}_{\text{initial}})(70\%(\text{CPI}_i / \text{CPI}_{\text{initial}}) + (30\%(\text{EC}_i / \text{EC}_{\text{initial}})))$$

~~\$300 to \$700~~ per acre-foot for water districts in the San Diego area.^{15,39} Poseidon has provided the Commission with a detailed accounting of its expected costs.⁴⁰ Commission staff, however, contends that Poseidon’s actual costs would be higher than what local water districts are paying for imported water.

In July 2007, Poseidon provided the following figures for its expected project costs:¹⁶

~~**Total capital costs:** ————— \$300 million~~

~~**Annual gross revenues:** ————— \$53 million
(based on 56,000 acre-feet per year X ~\$950 per acre-foot)~~

~~**Annual operations and maintenance costs:** ————— \$30 million ————— \$535 per acre-foot~~

~~**Debt service and taxes:** ————— \$21 million ————— \$375 per acre-foot~~

~~**Anticipated net annual revenues:** ————— \$2 million ————— \$ 36 per acre-foot~~

~~**Total:** ————— \$946 per acre-foot~~

| | | |
|---|----------------------|----------------------------|
| <u>Total capital costs:</u> | <u>\$300 million</u> | |
| <u>Annual gross revenues:</u> <u>(based on 56,000 acre-feet per year X ~\$950 per acre-foot)</u> | <u>\$53 million</u> | |
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| <u>Debt service and taxes:</u> | <u>\$21 million</u> | <u>\$375 per acre-foot</u> |
| <u>Anticipated net annual revenues:</u> | <u>\$2 million</u> | <u>\$36 per acre-foot</u> |
| <u>Total:</u> | | <u>\$946 per acre-foot</u> |

^{15,39} The MWD, from whom SDCWA purchases most of its imported water, expects its imported water price to go up from 4-6% per year for the next ten years. In the shorter term, SDCWA expects its costs to increase next year by about 10%.

⁴⁰ Poseidon has provided the Commission with the following documents supporting its projections of expected costs: Poseidon Resources Corporation, *Response to California Coastal Commission’s September 28 Request for Additional Information*, November 30, 2006 pp. 46-51; Poseidon Resources Corporation, *Response to California Coastal Commission’s July 3 Request for Additional Information*, July 16 2007, at pp. 11-13; Poseidon Resources Corporation, *Transmittal of Intake Cost Estimates*, October 17, 2007.

¹⁶ ~~Poseidon had additionally provided the Commission with the following documents supporting its projections of expected costs:— Poseidon Resources Corporation, *Response to California Coastal Commission’s September 28 Request for Additional Information*, November 30, 2006 pp. 46-51; Poseidon Resources Corporation, *Response to California Coastal Commission’s July 3 Request for Additional Information*, July 16 2007, at pp. 11-13; Poseidon Resources Corporation, *Transmittal of Intake Cost Estimates*, October 17, 2007.~~

Commission staff ~~analysis showed, however, that the overall cost would likely~~ believe actual costs would be somewhat higher and, in fact, for some components of the proposed project could only verify higher costs. These higher costs would make Poseidon's water cost substantially more than the expected \$950 per acre-foot and even higher than current or expected costs for imported water. Poseidon disagreed with several of staff's cost estimates, as described below. ~~;~~ ;

- *Overall trend of desalination costs:* Over the past couple of decades, desalination costs have declined significantly, due largely to advances in technology such as increased energy efficiency, extended membrane and filter operating life, and other improvements. More recently, however, the trend appears to have reversed. Despite continued advances in some areas of desalination technology and energy efficiency, overall costs of desalinated water have increased during the past few years largely due to increased cost for energy and materials. Of all significant sources of water, seawater desalination is the most energy intensive and the most cost-sensitive to energy prices. Poseidon's expected costs in Carlsbad have ~~gone up, not down,~~ increased over the past several years. In 2004, Poseidon estimated its water would cost \$800 per acre-foot; its most recent estimate is \$950 per acre-foot. Its overall capital costs have increased from \$270 million to about \$300 million during the same period.

Further, although it is difficult to compare the cost of water from different desalination facilities, in Commission staff's view, Poseidon's purported costs are ~~much~~ lower than estimates at other seawater desalination facilities now operating or being developed. For example, testimony by the California-American Water Company before the state Public Utilities Commission shows that it expects water from a similar proposed seawater desalination facility at the Moss Landing Power Plant to cost from \$1600-1800 per acre-foot. This proposed facility would be somewhat smaller than Poseidon's (between 10 and 20 MGD), but even allowing Poseidon a 10% "economy of scale" benefit would result in its costs being closer to \$1500 per acre-foot.

- *Additional mitigation costs:* As noted later in these Findings, several mitigation measures are needed for the proposed project to conform to various Coastal Act provisions, and ~~it appears~~ Commission staff does not believe these costs are ~~not yet~~ included in Poseidon's estimates. For example, Poseidon stated it is considering purchasing "carbon offset" credits for its greenhouse gas emissions. At a current average cost of \$20 per megawatt-hour, these credits would cost Poseidon over \$5 million per year to fully offset its emissions, which would add about \$95 to the cost of each acre-foot produced. Poseidon indicated that it has taken all of these costs into consideration in assessing the feasibility of the project, ~~and~~ addressed these costs in its Climate Action Plan.
- *Poseidon's reliance on ~~a not yet obtained~~ MWD subsidy:* Poseidon's anticipated costs are also based in part on it being eligible to benefit from the \$250 per acre-foot subsidy available from the MWD. As described previously, the MWD several years ago adopted a policy to provide up to \$250 per acre-foot to selected water agencies ~~(the San Diego County Water~~

~~Authority, Long Beach Water Department, Los Angeles Department of Water and Power, West Basin Municipal Water District, and the Municipal Water District of Orange County). To be eligible for the subsidy, Poseidon would have to enter an agreement with one of the five eligible entities (presumably, the San Diego County Water Authority) to transfer its subsidy rights. Without this subsidy, Poseidon's stated costs would be \$250 per acre-foot higher. Poseidon responded, Poseidon responds that, in a June 22, 2007 letter to the Commission's Executive Director, the MWD affirmed its intent to provide the \$250 per acre-foot incentive to the water agencies that have contracted to purchase water from Poseidon.~~⁺⁷⁴¹

- *Present and future costs for electricity:* Poseidon estimates its average cost for electricity will be \$0.0749 per kWh. It bases this estimate on the rates available from the San Diego Gas & Electric Company (SDG&E) for large industrial customers (SDG&E Tariff Sheet #AL-TOU), which provides a range of energy prices based on the time-of-use; (e.g., higher costs at peak afternoon hours, lower costs at night; generally higher costs in summer than in winter), and its eligibility for a discount due to its participation in SDG&E's emergency response program. Poseidon states that it determined its expected \$950 per acre-foot water cost in part by applying expected rates from that Tariff Sheet. ~~Poseidon also stated that the SDG&E tariff sheet provides a discounted rate for entities able to reduce electrical use during peak demand periods. However, it is not clear what cost savings might result from this discount, since Poseidon's proposed project and the analyses herein are based on the facility producing water at a relatively continuous 50 MGD rate.~~

~~However, to Commission staff, it~~ appears that applying the rates from that Tariff Sheet would result in an actual annual average rate of no less than \$0.10 per kWh. The cost of desalinated water is highly sensitive to energy costs, with each penny increase in the rate per kilowatt-hour resulting in about a \$50 per acre-foot increase in the end cost, so this average \$0.10 rate, if applicable, would increase Poseidon's expected costs per acre-foot by about \$125.⁺⁸⁴² Poseidon responds that the applicable SDG&E tariff is subject to a discount

⁺⁷⁴¹ See also Poseidon Resources Corporation, *Response to California Coastal Commission's September 28, 2006 Request for Additional Information*, November 30 2006: (Attachment 3) Water Purchase Agreement by and between The Carlsbad Municipal Water District and Poseidon Resources (Channelside) LLC, September 28, 2004, at § 3.1.2; (Attachment 4) Water Purchase Agreement by and between Rincon del Diablo Municipal Water District and Poseidon Resources (Channelside) LLC, March 14, 2006, at § 3.1.2; (Attachment 5) Water Purchase Agreement by and between Valley Center Municipal Water District and Poseidon Resources (Channelside) LLC, December 20, 2005, at § 3.1.2.

⁺⁸⁴² Poseidon stated that it could take advantage of lower off-peak electricity rates by reducing its production during peak hours and increasing it during non-peak hours – it proposed, for example, that it could operate at 80% capacity (40 MGD) during the highest rate periods and at 108% capacity (54 MGD) during lower rate periods. However, it appears this scenario would have little effect on average electrical costs, since Poseidon would use even more electricity during the longer low-rate periods and less during the much shorter high-rate periods. Further, this “start/stop” operating scenario would likely increase Poseidon's operations and maintenance costs due to shortening the operating life of the various membranes, filters, and other facility components.

due to the Project's ability to reduce demand during peak periods, and to shed up to 95 percent of the Project's energy load during local utility emergencies.⁴³

Additionally, Poseidon's anticipated costs do not recognize likely future rate increases for electricity, which in Commission staff's view are likely to help maintain the gap between Poseidon's production costs and the costs of imported water. For 2008, SDG&E has already proposed an increase of about 5% increase for its industrial users. Even though imported water sources would also be subject to future rate increases, at least two characteristics suggest that Poseidon would have disproportionately higher increases compared to imports. First, as noted above, seawater desalination is more sensitive to energy costs than are other sources; and second, Poseidon would obtain its electricity from the SDG&E service area, whereas much of the water imported to San Diego County is subject to the lower rates available to the state's water transport systems. Although Poseidon may be able to "hedge" all or part of its electricity costs through the purchase of natural gas futures, such hedges are relatively short-term, so Poseidon's costs would eventually be subject to rate increases similar to those experienced by other electricity users in the region. At this point, in Commission staff's view, the expected 5% increase next year by SDG&E would add about \$25 per acre-foot to Poseidon's costs. In response to these staff assertions, Poseidon ~~has~~ confirmed that it has considered these costs in assessing the feasibility of the project.⁴⁴

- *Additional costs to pump water into SDCWA distribution system:* As noted above, Poseidon's current proposal includes installing the pipelines and pumps needed to deliver water only to Carlsbad's Maerkle Reservoir and parts of Vista and Oceanside. Transporting water to other entities would require an additional pipeline from the reservoir to the regional distribution system along with an additional pumping station and additional electricity costs. ~~SDG&E's most recent cost estimates for these components are \$80 million in capital costs and \$2.5 million per year in operations and maintenance costs (which presumably include electricity costs), which would have to be reflected in the costs of water for any entity other than Carlsbad, Vista, or Oceanside. The additional operations and maintenance costs alone would add about \$125 per acre-foot to the approximately 20,000 acre-feet that may need to reach the regional distribution system. As noted above, recent minutes of the Borrego Water District identify the Authority's expected distribution charge as \$140 per acre-foot. Although Poseidon's project does not propose connecting to this regional distribution system, these costs would be borne by any entities other than the neighboring cities noted above that wish to use or trade the desalinated water. Again, however, Poseidon has~~ In response,

⁴³ See Poseidon Resources Corporation, Updated Response to Coastal Commission's September 28, 2006 Request for Additional Information, Section 13, CDP Energy Use, GHG Production & Mitigation, October 21, 2007, at p. 3.

⁴⁴ See Poseidon Resources Corporation, Response to California Coastal Commission's July 3, 2007 Request for Additional Information, July 16, 2007.

Poseidon confirmed that it has ~~considered~~taken these costs into consideration in assessing the feasibility of the project.⁴⁵

- *Additional costs for dredging Aqua Hedionda Lagoon:* The power plant owner is currently responsible for dredging the Lagoon and is expected to maintain that responsibility as long as the power plant uses its once-through cooling system. When the power plant ends its use of that system, Poseidon is expecting to take on responsibilities for dredging the Lagoon. Poseidon would not need to dredge as large an area, since it would use less water than past power plant operations; ~~even so, Poseidon's costs could be higher. The power plant has in the past dredged about every other year, with its most recent operations costing about two million dollars (or an average of one million dollars per year); however, it owns the barge and sand delivery pipelines it uses for dredging operations. A similar one million dollar per year average would add about \$20 per acre-foot to Poseidon's water costs, which [?] again, Poseidon stated it has considered these costs~~ has demonstrated that it has taken this cost into consideration in assessing the feasibility of the project.⁴⁶

In sum, Commission staff estimates that the additional costs described above could add ~~up to a~~ worst-case maximum of about \$450 to Poseidon's stated \$950 per acre-foot costs. ~~This Staff's~~ calculated approximate cost of \$1400 per acre-foot is more in line with ~~credible~~ cost estimates available from other seawater desalination facilities operating or being developed in California. In response, Poseidon stated at the Commission's November 15, 2007 hearing that it intends to operate at a loss for some unknown number of years until the costs of imported water increase to match Poseidon's costs for constructing and operating the desalination facility. Regardless of which cost estimates are more accurate – those provided by Poseidon or by Commission staff – the Commission finds that the proposed project is consistent with all applicable Coastal Act policies (see Section 4.5, herein) and the Commission finds that the project, as conditioned herein, incorporates all feasible mitigation measures and that there are no feasible alternatives that would further reduce impacts to coastal resources. There are no feasible and less environmentally damaging alternative locations to draw in the needed seawater (e.g., subsurface or offshore). The Commission finds that slant wells are infeasible because the water quality available from such intakes would make it difficult, if not impossible, to treat for desalination purposes, and that the construction impacts associated with this alternative render it environmentally inferior to the proposed project.⁴⁷ The Commission also finds that an infiltration gallery is environmentally inferior to the

⁴⁵ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Ex. B, at p. 7; see Poseidon Resources Corporation, Response to California Coastal Commission's July 3, 2007 Request for Additional Information, July 16, 2007, at p. 13.

⁴⁶ Coastal Process Effects of Reduced Intake Flows at Agua Hedionda Lagoon, Dr. Scott Jenkins, December 13, 2006.

⁴⁷ See Poseidon Resources Corporation, Response to California Coastal Commission's Letter of September 28, 2006, November 30, 2006, at pp. 24-51; Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at pp. 16-17.

proposed project because this alternative would disrupt public access to marine resources, require frequent dredging and require the destruction of 150 acres of coastal habitat, and that the alternative is economically infeasible.⁴⁸ The Commission further finds that an offshore intake system would result in greater environmental impacts than the proposed project's use of the existing EPS intake, and that construction of an offshore intake would render the project infeasible.⁴⁹

Should Poseidon's costs or other concerns make the project unsuccessful, measures exist to protect coastal resources. First, under the water purchase agreements between Poseidon and the Carlsbad Municipal Water District, the Water District at its option can assume operation or ownership of the facility. Second, if the Water District chooses not to assume either of those options, or if operations ceased for some reason, Poseidon is required to remediate the site and remove the facility. To accomplish this, and as described in the Water Purchase Agreement between the Water District and Poseidon, Poseidon is required to post a security in the form of either a letter of credit or an irrevocable bond with the property owner.⁵⁰

4.3 Coastal Commission Jurisdiction ~~A~~and Standard ~~O~~of Review

The proposed desalination facility and portions of its associated pipelines would be located in the coastal zone within the City of Carlsbad. Carlsbad has a certified Local Coastal Program (LCP), and the Agua Hedionda area is one of six segments of that LCP. Although most of the city's coastal zone is fully certified, the Agua Hedionda segment has only a certified Land Use Program (LUP), not a certified implementation program. Therefore, review and permitting authority within this segment remain with the Commission, with the standard of review being Chapter 3 of the Coastal Act. The Commission may also use provisions of the certified LUP as guidance.

4.4 Other Permits ~~A~~and Approvals

City of Carlsbad:

- **Precise Development Plan:** As part of its project review and approval, the City of Carlsbad approved a Precise Development Plan for the project site, which modified the allowable uses on the site to include the proposed desalination facility.

⁴⁸ See Poseidon Resources Corporation, *Additional Analysis of Submerged Seabed Intake Gallery*, October 8, 2007; Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at pp. 17-18.

⁴⁹ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at pp. 19-20; *Issues Related to the Use of the Agua Hedionda Inlet Jetty Extension EIR to Recommend An Alternative Seawater Intake for the Carlsbad Desalination Project*, Graham, Le Page and Mayer, October 8, 2007.

⁵⁰ See *Water Purchase Agreement by and between The Carlsbad Municipal Water District and Poseidon Resources (Channelside) LLC*, September 28, 2004, at § 14.2.

- **Environmental Impact Report:** On June 14, 2006, the City of Carlsbad certified a Final EIR for the project. At the request of the Coastal Commission staff, the City added a discussion to the Final EIR to address stand-alone operations of the project. In addition, the potential for stand-alone operations was evaluated in the City’s staff reports to the City Planning Department and City Council. The EIR found that all but one of the project-related impacts would be nonsignificant or through mitigation would be less than significant. The EIR found that the project would contribute to significant cumulative air quality impacts due to emissions resulting from its electrical use but also found that there were no feasible mitigation measures to reduce these impacts.²⁰⁵¹

State:

- **Lease of state tidelands from the State Lands Commission:** The proposed project would require a lease from the State Lands Commission due to its use of two sets of structures built on state tidelands – the jetties at the mouth of Agua Hedionda and the discharge structure built across a state beach about 3000 feet south of the Lagoon mouth.

The power plant currently has a lease from the State Lands Commission allowing it to use those structures until 2026; however, that lease allows use of those structures only for power plant cooling operations and for minor use by Poseidon’s test desalination facility (up to 200 gallons per minute) only when the power plant is operating. The power plant’s lease also states that the “Commission has expressed concerns regarding Once-Through Cooling (OTC) of power plants and the environmental impacts to the waters of California that may be caused by OTC systems”, and further states that the lease includes provisions that authorize the State Lands Commission to amend the lease if the State or Regional Water Boards modify Cabrillo’s NPDES permit. This lease requires additional written approval from the State Lands Commission for use of the intake or discharge by a future desalination project. Poseidon submitted its lease application in February 2007. ~~On October 30, 2007,~~As Commissioner Thayer explained at the hearing, the State Lands Commission held a hearing on Poseidon’s lease application,~~but~~ on October 30, 2007. Staff recommended approval of the lease but the Commission took no action and continued the hearing at the request of the public because the hearing was held just days after the San Diego Region fires and at least one individual who wanted to participate in that hearing had been

²⁰ ~~As described elsewhere in these Findings, the EIR concluded that the project would not cause significant adverse impacts to marine life; however, Poseidon’s entrainment study results showing a 37-acre productivity loss in the lagoon were not made available until after the EIR was certified. These study results are incorporated as part of these Findings and Special Conditions.~~⁵¹ Note: The EIR found that the project would indirectly contribute to a significant cumulative impact to air quality because it is likely that at least part of the mix of electricity that the desalination plant uses will come from pollutant-emitting sources in the San Diego air basin. However, the EIR also found that there were no feasible mitigation measures to reduce this impact. (See Project EIR, Chapter 5, p. 5-9.) Emissions from power generation, which are the main source of emissions associated with project operation, would be within permitted emission levels for the electrical plants which are planned for and regulated by the San Diego Air Pollution Control District, South Coast Air Quality Management District, and other local air pollution control districts. (See Project EIR, Chapter 4.2, p. 4.2-20.)

evacuated. Commissioner Thayer said a second hearing would be scheduled in December 2007 or at a later date.

Coastal Act Section 30601.5²⁴⁵² requires in part that an applicant demonstrate its ability to comply with all conditions of a coastal development permit prior to issuance of that permit. This demonstration includes landowner approval, which in this case would take the form of Poseidon obtaining the necessary State Lands Commission leases. To ensure Poseidon complies with this requirement, **Special Condition 2** requires Poseidon, prior to the Commission's issuance of the coastal development permit, to submit for Executive Director review and approval all necessary leases from the State Lands Commission, local governments, and the power plant owner showing that it has the necessary legal interest in all property within the coastal zone necessary to construct and operate the project. **Special Condition 3** further requires Poseidon to execute and record against its leasehold interests restrictions that bind both Poseidon and any future holders of those interests to the terms and conditions of the Commission's approval. This, too, requires review and approval by the Executive Director before issuance of the coastal development permit.

- **National Pollutant Discharge Elimination System (NPDES) permit from the Regional Water Quality Control Board:** Poseidon's project ~~would be subject to a provisional~~already has an NPDES permit issued ~~in August 2006~~ by the San Diego Regional Water Quality Control Board ~~—~~ in August 2006 pursuant to the Clean Water Act (33 U.S.C. § 1251 et seq.) and the Porter-Cologne Water Quality Control Act (Cal. Water Code § 13000 et seq.). The NPDES Permit, issued after the Regional Board reviewed multiple studies and analyses of the project, covers discharges to the Pacific Ocean from the project. The NPDES Permit addresses marine impacts of the project by requiring compliance with applicable water quality control plans, water quality objectives, performance goals, effluent limitations, and other receiving water and discharge limitations. In September 2006, Surfrider Foundation and Orange County CoastKeeper filed a petition with the California State Water Resources Control Board ("State Board") challenging the NPDES Permit on several grounds. In June 2007, the State Board dismissed the petition because it "fails to raise substantial issues that are appropriate for review" by the State Board.⁵³ The permit requires Poseidon to submit additional documentation for Board approval before starting operations and is based on Poseidon operating with or without concurrent power plant operations, as long as either

²⁴⁵² Coastal Act Section 30601.5 states: "Where the applicant for a coastal development permit is not the owner of a fee interest in the property on which a proposed development is to be located, but can demonstrate a legal right, interest, or other entitlement to use the property for the proposed development, the commission shall not require the holder or owner of any superior interest in the property to join the applicant as coapplicant. All holders or owners of any other interests of record in the affected property shall be notified in writing of the permit application and invited to join as coapplicant. In addition, prior to the issuance of a coastal development permit, the applicant shall demonstrate the authority to comply with all conditions of approval."

⁵³ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, at Exh. B p. 6; see also SWRCB/OCC File A-1773, June 5, 2007.

entity ensures a discharge of at least 304 MGD to provide adequate dilution of the desalination facility's high salinity discharge.

One of the required documents is a *Flow, Entrainment and Impingement Minimization Plan*, which Poseidon first submitted in February 2007 and revised in June 2007 and which the Board is ~~still~~ reviewing. This plan is described in more detail in Section 4.5.1 of these Findings. The NPDES Permit states that the Board will determine through its review of this Plan whether the proposed project conforms to Porter-Cologne Act Section 13142.5.

Additionally, Poseidon's operations ~~would~~may cause ~~additional~~ sedimentation in Agua Hedionda, which is listed by the State and Regional Boards as an impaired water body due in part to high rates of sedimentation. Poseidon states, citing documentation by the Regional Board, that the 303(d) listing of Agua Hedionda Lagoon as an impaired body is based on fine-grained sedimentation discharged by urban run-off into the Lagoon from the neighboring watersheds (predominantly Agua Hedionda Creek), impacting 6.8 acres primarily located in the east basin of the Lagoon.⁵⁴ The federal Clean Water Act requires that states develop a plan to restore waterbodies that are listed as impaired by removing or limiting the causes of impairment. The NPDES permitting program, at 40 CFR~~22~~ 22, prohibits issuance of a permit where a new source would contribute a pollutant to a waterbody already listed as impaired due to that pollutant, unless a plan is in place that demonstrates how the waterbody would be brought back in to compliance with the water quality standards (see also, for example, the U.S. Ninth Circuit Court's decision on *Friends of Pinto Creek vs. U.S. EPA*, October 4, 2007). The Board has not yet developed the required plan (known as a Total Maximum Daily Load, or TMDL) for Agua Hedionda. As noted in the *Carlsbad Watershed Plan*, developed pursuant to an NPDES Permit issued in 2001 to a number of local jurisdictions by the State Water Quality Control Board, continued use of the power plant intake by either Poseidon or Cabrillo would contribute to the high sedimentation rate in the ~~L~~Lagoon. The intake is only partially responsible for this sedimentation, as the Inner Basin fine-grained sediments largely come from urban runoff in the Agua Hedionda watershed.²²~~55~~ However, as described later in these Findings, Poseidon's studies show that sedimentation at the mouth of the ~~L~~Lagoon caused by use of the intake results in increased sedimentation within the area of the Inner Basin identified as impaired. For example, in describing sedimentation caused by the intake, Poseidon states that the build-up of sediment near the ~~L~~Lagoon mouth restricts the tidal prism so that outflows from the Inner Basin are both reduced and slowed, resulting in the ~~L~~Lagoon having insufficient transport capacity to reduce the sediment load in the Inner Basin. Poseidon cites San Diego Coastal Lagoons TMDL Monitoring Workplan⁵⁶ in support of its position that

⁵⁴ 2006 Clean Water Act 303(d) List of Water Quality Limited Segments Requiring TMDLs, San Diego Regional Water Quality Control Board, June 28, 2007.

²²~~55~~ Final San Diego Coastal Lagoons TMDL Monitoring Workplan, June 18, 2007, McLaughlin et al.

⁵⁶ Id.

Poseidon’s operations (and associated maintenance dredging of the Lagoon) would have a beneficial impact on the sedimentation problem in Agua Hedionda Lagoon. In the absence of Poseidon’s operations and its assumption of the responsibility for maintenance dredging and stewardship of the Lagoon after the Encina power station is decommissioned, the Lagoon sedimentation will result in closure of the Lagoon in five to seven years, and nearly complete loss of existing beneficial uses thereafter.⁵⁷ This issue will likely require further consideration by the Regional Board as part of its ongoing review of Poseidon’s provisional NPDES permit, which was issued in June 2006 before these studies were provided. The Commission expects that action by the Regional Board will result in conformity to these applicable NPDES requirements.

Federal:

- **Federal “incidental take” permits:** Poseidon’s proposed project may result in the “take” of species protected under the Marine Mammal Protection Act through entrapment of seals or other marine mammals in the power plant intake. In a June 4, 2007 letter to Commission staff, Poseidon indicated it would apply for an independent “Incidental Harassment Authorization” (“incidental take” permit) under the Marine Mammal Protection Act for any impacts to sea lions, seals, or any other protected marine mammals resulting from construction or operation of the project. During review of Poseidon’s application, the National Marine Fisheries Service would engage in consultation under Section 7 of the federal Endangered Species Act to ensure that the project will not jeopardize the continued existence of any species listed as threatened or endangered under the Act. Past power plant operations have caused documented entrapment of species protected under the federal Endangered Species Act, including two endangered East Pacific green turtles (*Chelonia mydas*) over a 53-year period. Poseidon’s operations of the intake system at velocities of less than 0.5 feet per second are expected to decrease the likelihood of future sea turtle impingement.

Agua Hedionda historically provided habitat for the tidewater goby (*Eucyclogobius newberryi*) a species listed as endangered by the U.S. Fish and Wildlife Service in 1999. The goby is also listed as a Special Status Species by the California Department of Fish and Game. The Service was developing a critical habitat designation for the species about the same time as publication of Commission staff’s recommended Findings to the Commission.²³⁵⁸ In November 2006, the USFWS issued a proposed designation that did not

⁵⁷ Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon :Low Flow vs. No-Flow Alternatives, Dr. Scott Jenkins, September 28, 2007.

²³⁵⁸ In 1994, the U.S. Fish and Wildlife Service listed the goby as endangered. In 1999, the Service published in the Federal Register a proposed rule to retain the goby as a listed endangered species in Orange and San Diego County coastal waters and to establish Agua Hedionda as part of the critical habitat for the goby. The goby had been listed as endangered in February 1994. In November 2000, the Service published its final rule, which designated Agua Hedionda as critical habitat for the goby. In August 2001, Cabrillo Power L.L.C., owner of the Encina power plant, filed a lawsuit challenging that designation. The Service later filed a consent decree with U.S. District Court in

include Agua Hedionda as critical habitat ~~and stated~~, stating that the Lagoon has not been occupied by ~~the~~ goby for many years:²⁴ the last goby specimen from Agua Hedionda was collected in 1940.⁵⁹

To ensure Poseidon conforms to these other coastal resource protection requirements, **Special Condition 4** requires Poseidon, prior to starting construction, to submit documentation of other permits and approvals needed for project construction and operation, including those from the City of Carlsbad, the Regional Water Quality Control Board, the California Department of Health Services, the National Marine Fisheries Service, and the U.S. Fish and Wildlife Service, or documentation showing that these approvals are not needed.

4.5 Conformity ~~To~~ to Applicable Coastal Act Policies

4.5.1 Protection of Marine Life (Coastal Act Sections 30230 & 30231)

Coastal Act Section 30230 states:

Marine resources shall be maintained, enhanced, and, where feasible, restored. Special protection shall be given to areas and species of special biological or economic significance. Uses of the marine environment shall be carried out in a manner that will sustain the biological productivity of coastal waters and that will maintain healthy populations of all species of marine organisms adequate for long-term commercial, recreational, scientific, and educational purposes.

Coastal Act Section 30231 states:

The biological productivity and the quality of coastal waters, streams, wetlands, estuaries, and lakes appropriate to maintain optimum populations of marine organisms and for the protection of human health shall be maintained and, where feasible, restored through, among other means, minimizing adverse effects of waste water discharges and entrainment, controlling runoff, preventing depletion of ground water supplies and substantial interference with surface waterflow, encouraging waste water reclamation, maintaining natural vegetation buffer areas that protect riparian habitats, and minimizing alteration of natural streams.

These Coastal Act provisions require generally that marine resources be maintained, enhanced, and where feasible, restored. They also require that the marine environment be used in a manner that sustains biological productivity and maintains healthy populations of all marine species.

which it agreed to vacate that designation and reconsider the entire critical habitat designation in the rule. That consent decree also established that the Service would publish a revised proposal for critical habitat by November 15, 2006 and a new final rule by November 1, 2007. The USFWS had not issued its final habitat designation as of the date of the Commission's decision.

²⁴⁵⁹ See Poseidon Resources, *Response to Staff Report*, November 9, 2007, Exh. B₂ at p. 9.

Coastal Act Section 30231 requires that biological productivity be maintained, and where feasible, restored, including by minimizing the adverse effects of entrainment.²⁵⁶⁰

Other policies as guidance

In applying the above-quoted Chapter 3 policies, the Commission may be guided by Porter-Cologne Act Section 13142.5, pursuant to Coastal Act Section 30412(a).²⁶⁶¹ Subsection (b) of Section 13142.5 states:

For each new or expanded coastal powerplant or other industrial installation using seawater for cooling, heating, or industrial processing, the best available site, design, technology, and mitigation measures feasible shall be used to minimize the intake and mortality of all forms of marine life.

Poseidon contends that the State and Regional Water Quality Control Boards have primary authority over water quality related marine life issues. As set forth in Coastal Act Section 30412(b):

The State Water Resources Control Board and the California regional water quality control boards are the state agencies with primary responsibility for the coordination and control of water quality . . . The [Coastal] commission shall not . . . modify, adopt conditions, or take any action in conflict with any determination by the State Water Resources Control Board or any California regional water quality control board in matters relating to water quality . . .

Coastal Act Section 30412(b).

In exercising its responsibility for coordination and control of water quality, the Regional Water Quality Control Board must also ensure compliance with the California Ocean Plan, which is part of the Board’s jurisdiction and provides that:

Marine communities, including vertebrate, invertebrate, and plant species, shall not be degraded.

²⁵⁶⁰ “Minimize,” as used in these Findings, means “to reduce to the smallest possible amount, extent, size, or degree” as defined in the American Heritage[®] Dictionary of the English Language: Fourth Edition (2000).

²⁶⁶¹ Coastal Act Section 30412(a) states: “In addition to Section 13142.5 of the Water Code, this section shall apply to the commission and the State Water Resources Control Board and the California regional water quality control boards.”

California Ocean Plan Section II.E.1. The Regional Board has already reviewed the project’s discharged-related impacts and is currently reviewing the project’s intake-related impacts pursuant to the federal Clean Water Act and California’s Porter-Cologne Act. Thus, Poseidon argues, the Coastal Commission may not take any action in conflict with the Regional Board’s ongoing jurisdiction over the project. (See Coastal Act § 30412(b) [“The [Coastal] commission shall not . . . modify, adopt conditions, or take any action in conflict with any determination by the State Water Resources Control Board or any California regional water quality control board in matters relating to water quality...”].)

State, regional and local water plans all have confirmed that immediate and pressing water needs cannot be met without a substantial investment in seawater desalination.⁶² To that end: (1) the proposed project will provide 56,000 AFY of new water supply for the San Diego region; (2) the California Department of Water Resources’ 2006 Water Plan Update identifies the need for 500,000 AF of desalinated water by 2030; (3) the Metropolitan Water District of Southern California’s Integrated Water Resources Plan identified a need for 250,000 AFY of seawater desalination (including 56,000 AFY from the Carlsbad project) to ensure regional water supply reliability; (4) the San Diego County Water Authority (SDCWA) updated its 2005 Urban Water Management Plan in April 2007 specifically to reaffirm the need for 56,000 AFY of seawater desalination from the Carlsbad project by 2011; and (5) Carlsbad Municipal Water District, Valley Center Municipal Water District, Rincon del Diablo Municipal Water District, Sweetwater Authority, Rainbow Municipal Water District, Santa Fe Irrigation District, Vallecitos Water District, and Olivenhain Municipal Water District have entered into long-term water purchase agreements with the Carlsbad Desalination Project.⁶³ Collectively, these water districts will use 100% of Poseidon’s capacity.⁶⁴

The agencies that have or are planning to acquire water from the Carlsbad Desalination Project have organized the “San Diego Desal Partners” and meet on a regular basis to coordinate efforts to advance the project. In a communication to Commission Chairman Kruer, the San Diego Desal Partners described the Carlsbad Desalination Project as “one of the most important water infrastructure projects currently being planned for the state of California.”⁶⁵

The SDCWA’s April 18 Update of 2007 Metropolitan Water District supply assessment projected 2007 to be a critically dry year in both the State Water Project and Colorado

⁶² See Poseidon Resources Corporation, Response to California Coastal Commission’s February 20 Request for Additional Information, June 1, 2007, at pp. 7-9.

⁶³ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A. at p. 6-7.

⁶⁴ See id.

⁶⁵ See Poseidon Resources Corporation, Response to California Coastal Commission’s February 20 Request for Additional Information, June 1, 2007, at pp. 7-9.

[River watersheds.](#)⁶⁶ [Among key findings of the SDCWA 2006 Public Opinion Survey, when asked what the most critical things the SDCWA could do to ensure a safe and reliable water supply, the top response by respondents was to develop seawater desalination.](#)⁶⁷

Certified Agua Hedionda Land Use Plan: Because the proposed project is within the Commission’s retained jurisdiction, the standard of review is Chapter 3 of the Coastal Act. However, in such instances, the Commission may use as guidance adjacent certified Local Coastal Programs (LCPs). The proposed project would be in the coastal zone within the City of Carlsbad. Although the City has a certified LCP, the Commission has not yet certified the LCP for the portion of the City, known as the Agua Hedionda segment, where the project would be.

The Commission, however, has certified the Land Use Plan (LUP) for the Agua Hedionda segment. The certified Land Use Plan recognizes the Lagoon’s unique environmental status and designates the entire Lagoon as a “special treatment area”. The Plan’s goals for the Lagoon include the following:

- *Protect and conserve natural resources, fragile ecological areas, unique natural assets, and historically significant features of the community.*
- *Preserve natural resources by protecting fish, wildlife, and vegetation habitats; retain the natural character of waterways, shoreline features, hillsides, and scenic areas; safeguard areas for scientific and educational research; respect the limitations of our air and water resources to absorb pollution; and encourage legislation that will assist in preserving these resources.*

Agua Hedionda is also one of 19 coastal wetlands identified in the California Department of Fish and Game report, *Acquisition Priorities for the Coastal Wetlands of California*. This report identifies high priority wetlands for acquisition, based primarily on their values for fish and wildlife habitat and threats to their continued existence as a natural resource.²⁷⁶⁸ Coastal wetlands identified in this report are subject to the additional protections of Coastal Act Section 30233(c), which are described in Section 4.5.2 of these Findings.

Other policies and requirements applicable to the proposed project

Marine Reserve Designation: Additionally, part of Agua Hedionda has been designated by the California Department of Fish and Game as the Agua Hedionda Lagoon State Marine Reserve. Pursuant to Section 1580 of the state Fish and Game Code, the Reserve is to be managed to:

⁶⁶ [See id.](#)

⁶⁷ [See id.](#)

²⁷⁶⁸ See also the California Coastal Plan, December 1975.

“...protect threatened or endangered native plants, wildlife, or aquatic organisms or specialized habitat types, both terrestrial and nonmarine aquatic, or large heterogeneous natural gene pools for the future use of mankind through the establishment of ecological reserves.””

NPDES permit: Activities within the City of Carlsbad affecting Agua Hedionda Lagoon are in part subject to an NPDES permit issued in 2001 by the State Water Resources Control Board to several San Diego County cities to address significant water quality impacts in several coastal watersheds. The permit in part requires the cities to develop a comprehensive plan to manage the region’s watersheds and to avoid and solve surface water quality problems. The *Carlsbad Watershed Management Plan*, published in 2002 pursuant to these NPDES requirements, includes a number of goals and objectives to implement the NPDES permit requirements. Its goals include, for example:

Protect Beneficial Water Uses: To be considered supportable by this plan, all “Action Items” must protect, restore, or enhance beneficial water uses within the watershed. The action should focus on the protection of human public health first and then on the health of wildlife and natural ecosystems. The action item should recognize that public health includes flood protection and should strive to balance natural restoration with water quality improvements and flood control.

Protect Coastal and Wetland Resources: Extra credit should be given to “Action Items” that serve to protect the wetland resources, sensitive species and fragile ecosystems associated with coastal lagoons and riverine resources. These resources are not only sensitive and highly valued, but they support a great diversity of species and tend to be “sink holes” where water quality problems become much greater.

Multiple Habitat Conservation Program: The Multiple Habitat Conservation Program (MHCP) is a comprehensive habitat conservation planning process that addresses multiple species needs and the preservation of native vegetation communities for the cities of Carlsbad, Encinitas, Escondido, Oceanside, San Marcos, Solana Beach, and Vista, California. The MHCP is established in part to develop coordinated habitat preserve system. In Carlsbad, the MHCP is focused on preserving eight vegetation types, including marsh and estuarine wetlands. The covered species for this plan include invertebrates, birds, and plants found in and near Agua Hedionda and use the Lagoon as habitat.

Marine Life Management Act: The California Marine Life Management Act (MLMA) was established to ensure the conservation, sustainable use, and restoration of California’s² marine life. This includes the conservation of healthy and diverse marine ecosystems and marine living resources. To achieve this goal, the MLMA calls for allowing and encouraging only those activities and uses that are sustainable. Although most of the MLMA is devoted to fisheries management, it also recognizes that non-consumptive values such as aesthetic, educational, and recreational are equally important. Unlike previous law, which focused on individual species, the MLMA recognizes that maintaining the health of marine ecosystems is important in and of

itself. The MLMA also holds that maintaining the health of marine ecosystems is key to productive fisheries and non-consumptive uses of marine living resources.

One of the MLMA's primary goals is to provide for sustainable fisheries. A sustainable fishery is defined in the MLMA as one in which fish populations are able to replace themselves. The MLMA recognizes that populations of marine wildlife may fluctuate from year to year in response to external environmental factors, such as climate and oceanic conditions. Unlike traditional definitions of sustainability in fisheries, a key feature of the MLMA definition calls for maintaining biological diversity: "Essential Fish Habitat": Agua Hedionda Lagoon is also considered "Essential Fish Habitat" (EFH), pursuant to provisions of the federal Magnuson-Stevens Fishery Conservation and Management Act. The Act defined EFH as "those waters and substrate necessary to fish for spawning, breeding, feeding, or growth to maturity", and establishes that activities that would affect this habitat require consultation with the National Marine Fisheries Service pursuant to Section 305(b) of the Act.

Proposed Project Location and Site Conditions

Poseidon's proposed facility would be located on the site of the Encina power plant adjacent to Agua Hedionda. The facility would pump approximately 304 million gallons per day (MGD) of estuarine water from the ~~lagoon.~~²⁸ Lagoon.⁶⁹ Although Poseidon's proposal is to use 100 MGD of seawater to produce 50 MGD of potable water, the Regional Water Quality Control Board has required through its issuance of an NPDES permit that Poseidon discharge no less than 254 MGD to dilute its high salinity discharge.²⁹⁷⁰ These proposed project characteristics and issues associated with this discharge are discussed later in these Findings.

Characteristics of Agua Hedionda Lagoon: Agua Hedionda Lagoon is located within the City of Carlsbad and is used for a wide variety of activities. It is used recreationally, it includes extensive aquaculture operations, and it has served as the location for the power plant's cooling water intake structure since the mid-1950s.

The vast majority of the water in the estuary is from tidal sources. Each semi-diurnal tide brings in or discharges about 500 million gallons of seawater, so Poseidon's water withdrawals would represent about 30% of the estuary's daily water influx.³⁰⁷¹ The Lagoon receives a relatively

²⁸⁶⁹ To provide a sense of scale, the 304 million gallons of estuarine water Poseidon would use each day equals about 932 acre-feet, or the amount of water that would cover 932 acres (about 1.5 square miles) with a foot of water. Over the course of a year, Poseidon would use more than 100 billion gallons of water from the estuary, or about 340,000 acre-feet, which would cover over 500 square miles up to a foot deep.

²⁹⁷⁰ 304 MGD is an average volume. Poseidon's NPDES Permit limits the facility's salinity discharge to no more than about 40 parts per thousand, which requires Poseidon to pump from up to about 320 MGD at various times.

³⁰⁷¹ Poseidon's Flow Plan states that the tidal cycle brings in about 475 million gallons. The San Diego County Water Authority estimated in its recent Draft EIR for a similar proposed desalination facility that tidal inputs were about 528 million gallons. The average of these two estimates would result in a twice-per-day influx of about 1003 MGD, so Poseidon's 304 MGD withdrawal would represent about 30% of the average tidal inputs.

small amount of freshwater from Agua Hedionda Creek, from twenty-three storm drains, and from urban and agricultural runoff. The Lagoon's three basins have very different habitat characteristics, based largely on the hydrodynamics of the tidal flow and the resulting different substrates – finer materials in the Inner Basin grading to coarser materials in the Outer Basin.

Agua Hedionda Lagoon is listed by the Regional Board as having impaired water quality due to the presence of indicator bacteria and because of siltation and sedimentation.³⁴⁷² As noted in the *Carlsbad Watershed Plan*, part of the excess sedimentation within the estuary has been due in part to the power plant's water intake causing an imbalance between sediment inflow and outflow, and Poseidon's proposed project ~~would~~ may cause similar sedimentation problems. ~~Much of the sedimentation is due to fine-grained sediments~~ But Poseidon contends, citing documentation by the Regional Board, that the 303(d) listing of Agua Hedionda Lagoon as an impaired body is based on fine-grained sedimentation discharged ~~from~~ by urban ~~runoff~~ run-off from the Agua Hedionda watershed.³² into the Lagoon (predominantly Agua Hedionda Creek).⁷³ A study submitted by the applicant also indicates that due to sedimentation and in the absence of the power plant, if the Lagoon is not regularly dredged the Lagoon would close in about five to seven years and slowly revert back to its natural state of stagnant water.⁷⁴ Therefore, based on the evidence that has been submitted, sedimentation from urban run-off, not the power plant's water intake, is the predominant cause of sedimentation in the Lagoon, and but for the continued dredging of the Lagoon, it would revert to its stagnant natural state. This issue is described in more detail in Section 4.5.2 of these Findings.

Despite these water quality concerns, Agua Hedionda provides extensive habitat values for a wide variety of marine biological resources and other wildlife. Surveys from 1994-95 found that the Lagoon and nearby wetlands supported 29 fish species and 143 species of benthic invertebrates.^{33 75} Agua Hedionda provides habitat for important commercial and recreational fish species, special listed species, and forage fish used by these other species. Fish in the Lagoon include California halibut, which use the Lagoon as an important nursery area,

³⁴⁷² As noted in Section 4.4 of these Findings, pursuant to provisions of the federal Clean Water Act, states are required to identify polluted surface water bodies that do not meet water quality standards. States are to then prioritize those waterbodies for cleanup activities through developing a "Total Maximum Daily Load" (TMDL) for those waterbodies that identifies the cleanup steps needed to allow the waterbodies to meet the standards. California has not yet developed a TMDL for Agua Hedionda Lagoon.

³² ~~2006 Clean Water Act 303(d) List of Water Quality Limited Segments Requiring TMDLs, San Diego Regional Water Quality Control Board, June 28, 2007.~~

⁷³ 2006 Clean Water Act 303(d) List of Water Quality Limited Segments Requiring TMDLs, San Diego Regional Water Quality Control Board, June 28, 2007.

⁷⁴ Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon :Low Flow vs. No-Flow Alternatives, Dr. Scott Jenkins, September 28, 2007

³³⁷⁵ From California Wetlands Information System database at:
http://ceres.ca.gov/wetlands/geo_info/so_cal/agua_hedionda.html.

garibaldi, Northern anchovy, and various gobies, blennies, and others. The Lagoon formerly provided habitat for the endangered tidewater goby (*Eucyclogobius newberryi*). The U.S. Fish and Wildlife Service determined in 2006 that the goby's absence from the Lagoon is due to habitat loss and other anthropogenic factors.³⁴⁷⁶ The Lagoon is also identified as Essential Fish Habitat (EFH), pursuant to the Magnuson-Stevens Act described above.

The surveys also identified 81 different bird species in these areas, including 12 listed as sensitive: Belding's Savanna sparrow, California least tern, Western snowy plover, Brown pelican, White-faced ibis, California gull, Osprey, Cooper's hawk, Long-billed curlew, Loggerhead shrike, Northern harrier, and Black skimmer. In the coastal scrub sage habitat adjacent to many of its wetlands, the surveys found additional sensitive bird species, including the California gnatcatcher, the least Bell's vireo, and the light-footed Clapper rail. Many of these species rely on marine life within the Lagoon and adjoining wetlands.

Anticipated Project Impacts and Coastal Act Conformity – Intake-Related

Findings in this section evaluate the proposed project's impacts on marine biological resources associated with its intake of estuarine water. Findings in subsequent sections describe discharge-related impacts caused by the proposed facility's discharge of highly saline wastewater into nearshore ocean waters and its cumulative impacts. All analyses are based on Poseidon's proposed use and discharge of an average of 304 MGD of estuarine water, and on Poseidon's use of the existing power plant pumps as a stand-alone desalination facility.

Adverse Impacts Caused by Poseidon's Intake: The project's proposed withdrawal of 304 MGD of estuarine water through the power plant intake structure ~~would~~could cause several types of impacts to marine biological resources, including impingement, entrainment, and potential "take" of protected species. With implementation of the mitigation measures and Special Conditions described ~~later~~ in these Findings, however, the impacts would be mitigated to an insignificant level allowing conformity to Coastal Act Sections 30230 and 30231.

- **Impingement:** Impingement occurs when fish or other organisms are caught on an intake's screening system and are either killed or injured. The impingement rate for an intake is primarily a function of water velocity. The current Clean Water Act regulations (at 40 CFR 125) applicable to cooling water systems establish a maximum velocity of 0.5 feet per second as the required Best Available Technology. When velocities are below that level, fish are usually able to swim away from the pull of the intake. Impingement rates may also vary seasonally or when schools of fish get close to the intake.

Regarding Poseidon's expected impingement impacts, the project EIR concluded that the project would not cause any additional impingement impacts beyond those caused by the

³⁴⁷⁶ From *Federal Register*, November 28, 2006, proposed rule pursuant to 50 CFR 17 (see: <http://www.epa.gov/fedrgstr/EPA-SPECIES/2006/November/Day-28/e9291.htm>). Additionally, as noted in Section 4.4 of these findings, Agua Hedionda Lagoon is not listed as critical habitat for the species.

power plant. See Project EIR Section 4.3. Additionally, Poseidon’s 2004-05 study, described below, showed that its use of the power plant intake ~~would~~may impinge about 20,000 fish per year (or about 55 per day) weighing a total of about 4500 pounds (or about 12 pounds per day). During the study period, however, most of this impingement – about 80% – was caused by power plant heat treatments, which Poseidon would not have to do as a stand-alone desalination facility. ~~Further, as described in the City’s EIR~~Therefore, Poseidon’s impingement rate would be much less.

The City of Carlsbad’s EIR determined that under the stand-alone “No Power Plant Operation” scenario, the project would have an intake flow velocity that would not exceed 0.5 feet per second, consistent with the U.S. EPA guidance for “best available technology” for this aspect of the project. Therefore, Poseidon’s impingement rate would be much less, averaging less than 2.5 pounds per day. Poseidon contends its study shows that impingement caused by its 304 MGD flow would be about 1.92 pounds per day which is consistent with the U.S. EPA guidance for “best available technology” for cooling water intakes, and that under these operating conditions the project “would not result in significant impingement effects.” See Project EIR Section 4.3. Poseidon has prepared a *Flow, Entrainment and Impingement Minimization Plan* in accordance with its Regional Board issued NPDES Permit (Regional Board Order No. 2006-0065). The *Flow, Entrainment and Impingement Minimization Plan* provides that the project, when operating stand-alone, is expected to impinge approximately 2.12 pounds of fish per day, which Poseidon provides is less than the average daily consumption of an adult pelican (more than 2.5 pounds per day), which for this project the Commission considers *de minimis* and insignificant.⁷⁷ Under stand-alone operations, the project will also enhance the marine environment in the Lagoon, because Poseidon will be required to conduct maintenance dredging that will prevent the Lagoon from reverting to anaerobic hyper-saline water, which would not support fish species currently present in the Lagoon.⁷⁸

Moreover, **Special Condition 8** requires Poseidon to submit a Marine Life Mitigation Plan for Commission approval, and implementation of that Plan will mitigate to the extent feasible any expected impingement impacts. Past impingement at the power plant has included entrapment and “take” of the endangered Eastern Pacific green turtle a protected species. During the ~~past several decades~~last 53 years of power plant operations, one green sea turtle ~~was~~has been entrained and released unharmed and ~~a second one~~ was found dead at the intake structure. Sea turtles ~~have been~~ rarely have been seen within Agua Hedionda Lagoon. ~~Further, only adult turtles would be expected in the lagoon, since, or in the intake or outflow bays of the EPS. The flow rate of the water in the Lagoon and intake and outflow bays is very low; therefore, death of healthy sea turtles after entering these areas is highly unlikely. Because there will be either no change to the existing~~

⁷⁷ See also Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at pp. 9-10.

⁷⁸ See *Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon :Low Flow vs. No-Flow Alternatives*, Dr. Scott Jenkins, September 28, 2007.

conditions, or in the case of the project operating by itself a substantial reduction in the seawater pumping rate, it is not anticipated that continued operation of the power plant or the needs of the project will have significant adverse impacts upon sea turtle species. The current design of the power plant’s intake minimizes the possibility of entrainment of sea turtles in the power plant structures. The intake structure is outfitted with metal guard rails (trash racks) that prevent animals from entering the forebay area on the plant side. The slow moving water in the Lagoon and through the intake trash racks allow the sea turtles to easily get out of the area if they enter.⁷⁹ Since the turtles do not breed in this area, only adults would be susceptible to potential “take”, and adult turtles are too large to fit through the bar racks at the intake entrance. ~~Poseidon has documented that stand-alone operation of the facility would result in intake water velocities at or below 0.5 feet per second, which is consistent with the U.S. EPA guidance for “best available technology” for cooling water intakes. As noted above, Poseidon will also apply for an incidental take permit from NMFS to mitigate any such impacts.~~⁸⁰ Based on the above, and with **Special Condition 8**, the Commission finds the impingement impacts and the potential for an incidental take associated with stand-alone operations will be fully mitigated and will be consistent ~~with the~~ Coastal Act.

- **Entrainment:** Entrainment occurs when small organisms, such as plankton, fish eggs, larvae, etc., are pulled into an open-water intake. Once-through cooling systems like the one at the Encina power plant are considered to cause essentially 100% mortality due to the organisms being subjected to high temperatures or high pressures within the system. Even if some organisms survive the initial heat and pressure-induced stresses of passing through these systems, the conservative assumption used in entrainment studies is that the organisms that survive these initial stressors will die soon after due to injury, increased rates of predation, or other related causes. A stand-alone desalination facility using the same type of water intake structure ~~is expected~~ could conservatively be assumed to cause the same level of mortality, due to its use of filters and high pressures to remove most particles from seawater. The assessment that a stand-alone facility will result in 100 % mortality is an extremely conservative assumption, because it ignores the design and technology features that have been incorporated in the proposed project to reduce entrainment impacts. Those organisms in the water drawn in to the structure just to dilute the desalination discharge may experience somewhat less than 100% immediate mortality; ~~however, there are insufficient data and peer-reviewed scientific studies to conclude that the overall mortality from desalination processes and discharges would be any less than the approximately 100% mortality experienced by organisms going through the power plant processes and discharges. This assumption of 100% mortality is a standard protocol for power plant entrainment studies done to determine conformity to federal Clean Water Act requirements and well as California Coastal Commission, Energy Commission and Regional~~

⁷⁹ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. B at p. 14.

⁸⁰ See id.

~~Board requirements. Entrainment causes direct impacts by killing the small organisms that are pulled through the cooling system and causes indirect impacts to the larger marine community by altering the food web and removing part of the community's productivity. Seawater is not just water, but is habitat, and along the California coast an acre-foot of seawater (about 326,000 gallons) can contain an average of about 500 different species of fish, invertebrates, plankton, and other marine life. Large intake systems such as the one Poseidon proposes to use can kill millions of organisms each day and cause a loss or change in ecosystem resources and alterations in community structure. While impingement rates are largely a function of water velocity and can be reduced when velocities are reduced, the amount of entrainment is primarily associated with the amount of water used, so the main way to reduce entrainment impacts is to reduce water volumes pulled into an intake system.~~
As discussed in greater detail below, the following project design and technology features are expected to substantially lessen the impacts to marine life:

~~Poseidon has described several project components that it expects will reduce entrainment; however, because they will not substantially change the expected 304 MGD average water intake, they are not likely to substantially change the expected amount of adverse entrainment impacts. For example, Poseidon states that it expects the power plant to operate indefinitely; however, the power plant owner has stated that it expects to operate only sporadically or operate at partial power for up to several weeks each year for the next several years. Additionally, its recent average operating levels have been below 304 MGD, so Poseidon would need to pull in additional water beyond what the power plant has recently used. Poseidon also states that its use of estuarine water and the power plant intake would not result in added heat, would have lower velocity and turbulence, and would use about 200 MGD only for diluting its high salinity discharge. However, as noted above, there are no peer-reviewed scientific studies showing the rate of survivability of organisms entrained through such a system, and it is assumed that a desalination facility would cause the same 100% mortality assumed for power plants, either immediately due to high pressures, exposure to high salinity, turbulence, or shortly after discharge due to injury, increased predation, or other factors. As noted previously, the evaluation in these Findings of adverse effects to marine biology are based on Poseidon operating as a stand-alone facility. If the power plant operates at times when Poseidon is operating, the combined overall adverse entrainment impacts would be greater, though Poseidon's "share", or proportion, of the impacts could be decreased.~~

- EPS once-through cooling system is expected to continue operating indefinitely. The magnitude of the entrainment losses identified in Chapter 3 of Poseidon's Revised Flow, Entrainment and Impingement Minimization Plan, dated June 1, 2007, is estimated for continuous operation of the desalination plant on a stand-alone basis notwithstanding the fact that the EPS generating units will be available for service indefinitely. EPS has proposed removing three of the existing plant's five generating units and operating the remaining two units only part time for several more years until replacement power becomes available. The two remaining generating units represent 528 MGD of pumping capacity. Cal-ISO would

ultimately determine when the remaining units are no longer needed for grid reliability. In the meantime, seawater pumping by the EPS would likely meet a substantial portion of the CDP flow requirements, resulting in a comparable reduction of entrainment and impingement impacts attributable to the CDP.⁸¹

- The desalination facility will reduce impacts due to modified use of existing facilities. Potential entrainment mortality that occurs within the existing power plant screens, pumps and condensers upstream of the desalination facility intake would be substantially reduced under stand-alone operations due to the relatively lower temperature, volume, velocity and turbulence of the desalination operations compared to that of the power plant.⁸²
- Two-thirds of the water is returned to the ocean without further processing. Only 35 percent of the seawater (104 MGD) actually enters the desalination plant and is subjected to additional processing that would potentially add to the entrainment mortality. The remainder of the seawater (200 MGD) bypasses the desalination facility and is returned to the ocean.⁸³

Entrainment causes direct impacts by killing the small organisms that are pulled through the cooling system and causes indirect impacts to the larger marine community by altering the food web and removing part of the community's productivity. Seawater is not just water, but is habitat, and along the California coast an acre-foot of seawater (about 326,000 gallons) can contain an average of about 500 different species of fish, invertebrates, plankton, and other marine life. While impingement rates are largely a function of water velocity and can be reduced when velocities are reduced, the amount of entrainment is primarily associated with the amount of water used, so the main way to reduce entrainment impacts is to reduce water volumes pulled into an intake system.

Background – How to Determine Entrainment Effects: Determining the scale and the extent of entrainment impacts generally requires a study that includes obtaining at least one year's worth of regular sampling data and application of any of several modeling approaches. The samples are taken from waters near the intake and from nearby source waters. Organisms captured are identified to the lowest possible taxon. In most cases, all organisms cannot be identified, so the known taxa serve as indicators or surrogates for the full set of affected species. Of the various models available, the most acceptable is known as the Empirical Transport Model (ETM). It is used to provide an estimate of the proportion of organisms lost

⁸¹ See Poseidon Resources Corporation, Response to California Coastal Commission's Letter of February 20, 2007, June 1, 2007, at Attachment 25.

⁸² See Carlsbad Seawater Desalination Project Revised Flow, Entrainment, and Impingement Minimization Plan, June 1, 2007, at p. 26.

⁸³ See Carlsbad Seawater Desalination Project Revised Flow, Entrainment, and Impingement Minimization Plan, June 1, 2007, at pp. 1-19.

due to entrainment compared to the overall number of organisms in a source water body. The ETM approach allows estimates of loss for each identified species, in part by recognizing that each species is subject to entrainment during particular life stages. Once the species subject to entrainment are identified, the ETM approach then determines what period of time each of the species are subject to entrainment – that is, based on local currents, it determines how many days an egg stage or larval stage of a particular species is subject to being pulled into the cooling system rather than be able to move away and escape from it. This period varies by species, ranging from just a few days to several weeks. It will also vary by whether it is calculated using the maximum or mean duration of larvae in the source water. As a very simple example, if individuals of a species are “entrainable” for the first five days of their lives and the average currents in the area move past the cooling system intake at half a mile per hour, that species has a source water area of sixty miles (5 days x 24 hours x 0.5 mph = 60 miles). Determining source water areas may be complicated by seasonal changes in current speed or direction and whether the species are from nearshore or offshore areas, and for intakes proposed in enclosed estuaries, the calculations must incorporate the hydrologic pattern of the estuary.

The proportion of larvae lost to larvae in the source water (known as “proportional mortality”) is then multiplied by the source water area to provide an estimate of how much overall production of the species in this area is lost due to entrainment. This result of this calculation, known as “habitat production foregone” (HPF) can be expressed in acres or in miles of shoreline. Even a low “proportional mortality” figure can result in a large impact if the loss occurs over a large stretch of shoreline. Using the example above, if 5% of the larval stage of that species is lost due to entrainment, that represents that species’ production along about three miles of shoreline (0.05 x 60 miles = 3 miles). The HPF for the various species can be kept separate or can be combined as an overall average figure.

Results of entrainment studies such as this do not reflect all the variables that may affect populations within a given area – for example, populations may decrease or increase due to seasonal or long-term changes, the habitat within the source water areas is likely to include characteristics that affect particular species and may be of variable quality within the same source water area, etc. These methods do, however, provide a good sense of scale of the overall impacts of a given intake system during the period sampled.

(1) Poseidon’s anticipated entrainment effects: As noted previously, the certified EIR determined that, under the No Power Plant Operation scenario, the project “would have no significant effect on the source water populations [ability] to sustain themselves.” See Project EIR Section 4.3.; [findings made by the City of Carlsbad under CEQA]. Poseidon also evaluated potential entrainment impacts should it operate on a stand alone basis, through a comprehensive Revised Flow, Entrainment, and Impingement Minimization

Plan, as part of its compliance with its NPDES Permit.⁸⁴ To prepare this Plan, in 2004-05, Poseidon conducted a study to determine the entrainment impacts that would be caused by continuous 304 MGD water use, which was based on a published study plan reviewed and approved by the Regional Water Quality Control Board, representatives of the California Department of Fish and Game, the National Marine Fisheries Service, and by an EPA-appointed independent consultant.⁸⁵

~~Poseidon's anticipated entrainment effects: As noted previously, the certified EIR determined that the project would have no significant effects on marine life within Agua Hedionda; however, this conclusion was reached before Poseidon provided results of its entrainment study. In 2004-05, Poseidon conducted a study to determine the entrainment impacts that would be caused by continuous 304 MGD water use. In May 2007, Poseidon provided a technical memorandum summarizing the results of that study~~ the Revised Flow, Entrainment, and Impingement Minimization Plan and stating that the study Plan used Regional Board-approved protocols for sampling and analysis. Entrainment samples collected during the study were consistently dominated by larvae of three lagoon-dwelling species and contained relatively few numbers of ocean-dwelling species. ~~The summary showed that the desalination facility's water withdrawals would kill about 12% of three types of fish larvae in Agua Hedionda subject to entrainment—gobies, blennies, and garibaldi—in addition to smaller percentages~~ three dominant species were gobies, a mud dwelling group of fish ubiquitous to all California lagoons and bays;⁸⁶ blennies, fish that are crevice dwellers in fouling communities on pilings and bottles and cans on the seafloor; and garibaldi, a typical rocky reef dweller in open ocean habitat, but in this case occupying the rocky reef of rock rip-rap armoring the Lagoon side of the Carlsbad Boulevard jetty. None of the species entrained is listed as threatened or endangered. In addition, entrainment would affect about 0.2% of other species, including white croaker, Northern anchovy, California halibut, and queenfish. ~~Poseidon~~ The Plan identified these species as coming from about 302 acres of Agua Hedionda's open water habitat (253 acres) and its mudflat/tidal channel habitat (49 acres). Applying the ETM and HPF methods described above suggests that Poseidon's entrainment would cause a ~~loss~~ reduction of productivity about equal to that created by ~~37~~ 36 acres of Agua Hedionda's open water and mudflat/tidal channel habitat (i.e., 12% of 302 acres = ~~~37~~ ~36 acres). ~~Because the Commission has not yet been provided the full study for review, and to~~ 36 acres). The vast majority of the species that may be entrained as a result of stand-alone desalination plant operations are not commercially or recreationally fished. Since they are not harvested, the low levels of mortality imposed by entrainment are being imposed on populations that are at a level close to the natural carrying capacity of the coastal environment. Therefore,

⁸⁴ See Carlsbad Seawater Desalination Project Revised Flow, Entrainment, and Impingement Minimization Plan, June 1, 2007.

⁸⁵ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at p. 9-10.

⁸⁶ Note: this is an entirely different species than the tidewater goby discussed earlier in these findings.

mortality due to entrainment would not affect such populations. In all, any potential impingement or entrainment impacts of the project, if it should operate stand-alone in the future, would have no significant adverse effects on marine biology. To ensure Poseidon's study accurately assesses the project's entrainment impacts, **Special Condition 8** requires that Poseidon provide a full copy of its study for further Commission review and approval.

~~Poseidon has argued that this expected entrainment impact does not constitute a significant adverse impact. It states, for example, that because there are large numbers of planktonic organisms in estuarine water and because they experience a very high natural mortality rate, the effects of entrainment are generally similar to what these organisms already experience. Poseidon further states that the "cropping" of these organisms via entrainment is actually beneficial and should not be viewed as an adverse impact in that it allows remaining individuals to have less competition. However, the Commission finds that the project's entrainment impacts, which Poseidon currently estimates as representing about 37 acres of lost estuarine productivity, will require mitigation to ensure conformity to Coastal Act Sections 30230 and 30231. Although the Final EIR found the project would cause no significant entrainment impacts pursuant to CEQA, Poseidon provided the results of its study showing the extent of the expected impacts only after the EIR was certified. Further, Poseidon's arguments that these impacts are insignificant are not supported by findings from the past several years of entrainment studies conducted at power plants along the California coast and elsewhere in the U.S. In all entrainment studies done at California's coastal power plants, and per guidance from the U.S. EPA, entrainment mortality is assumed to be 100%. Although small numbers of live organisms may emerge from the discharge, they are expected to be injured and suffer mortality shortly after being discharged. Each of the studies done in California since 1998 concluded that the power plant intakes caused adverse impacts to local or regional marine biota.³⁵ Some studies evaluated intake volumes in the same range as those proposed by Poseidon—for example, the entrainment study for the Huntington Beach power plant determined that its use of 253 MGD of ocean water resulted in Habitat Production Foregone of over 100 acres. Each of the three recent studies done for intakes within estuarine environments identified adverse entrainment impacts and substantial mitigation needs. For example, the Moss Landing study showed that its 1224 MGD estuarine intake resulted in Habitat Production Foregone of 1135 acres. If applied proportionally to Poseidon's 304 MGD intake, the HPF would be about 281 acres. Similarly, the study of Morro Bay's 668 MGD intake showed an HPF of from 230 to 759 acres, which if applied proportionally to Poseidon's expected flow would result in an HPF of from 104 to 345 acres. In each of these power plant siting cases, the Commission found that mitigation was necessary to allow Coastal Act conformity. Finally, the South Bay power plant study of a 601 MGD intake resulted in an HPF of 1003 acres, which if applied to Poseidon's flow~~

³⁵ Since 1998, entrainment studies completed at California coastal power plants include those done at Moss Landing, Morro Bay, Diablo Canyon, Huntington Beach, and South Bay (e.g., *Morro Bay Power Plant 316(b) Resource Assessment*, 2001; *AES Huntington Beach Generating Station Entrainment and Impingement Study*, 2005 and *California Energy Commission Entrainment and Impingement Final Staff Analysis*, August, 2006, etc.).

~~would require 507 acres of mitigation. Poseidon’s contentions that its entrainment effects would be minimal or even beneficial are further refuted by both Coastal Act and Porter-Cologne Act requirements that call for entrainment to be minimized to protect marine biology and water quality.~~

~~Having seen only the summary Poseidon provided, rather than the full study, the Commission is requiring through **Special Condition 8** that Poseidon provide the full study to confirm these contentions, especially in comparison to these other recent entrainment studies, all of which found significant adverse impacts and resulted in HPF and mitigation needs well above Poseidon’s proposal. The previous entrainment study done at the Encina power plant in 1979 found that there was an average of more than 1400 individuals of just the ten most abundant fish species in each 100 cubic meters of estuarine water.³⁶ The results Poseidon provided of its more recent study did not include this information, but if the current densities are similar, Poseidon’s 304 MGD intake would cause entrainment to at least 16 million fish larvae per day (i.e., 304 MGD / 100 cubic meters (or 26,400 gallons) = 11,515 x 1400 = 16,121,000). That 1979 study also found that the power plant’s 795 MGD intake would cause annual entrainment losses of identified zooplankton (including Crustacea, copepods, Mysidacea, Decapoda, etc.) of 30.9×10^9 , or more than 30 billion organisms per year. When applied to Poseidon’s 304 MGD flow volume, this would be about 11 billion of these identified organisms per year.~~

~~Along with the lost productivity that would result from Poseidon’s estuarine water use, the water use would also cause significant adverse effects to specific species. The species identified in the study as subject to entrainment include several subject to “take” prohibition or fishing limits and others that provide important functions in the estuarine food web. Of the species that would be entrained, most have a role in the estuary’s food web as prey species for higher trophic level species, including many that are important for commercial or recreational fishing.³⁷ Poseidon’s experts (Tenera Environmental, Shaw Environmental & Infrastructure, Inc., Dr. Scott A. Jenkins and Joseph Wasyl) have concluded that this expected entrainment impact does not constitute a significant adverse impact and would be consistent with Coastal Act policies because the level of entrainment would have no effect on the species’ ability to sustain their populations, and thus would maintain marine biological resources.⁸⁷ First, while the number of larvae produced by most fishes during their reproductive years as adults can be enormous, only two of those larvae need to survive to adult to maintain a stable population level.⁸⁸ Second, from a population stability perspective, the CDFG stated in its 2002~~

³⁶ ~~See Cabrillo Power I LLC, *Proposal for Information Collection Clean Water Act Section 316(b) Encina Power Station*, April 1, 2006.~~

⁸⁷ See Carlsbad Seawater Desalination Project Revised Flow, Entrainment, and Impingement Minimization Plan, June 1, 2007.

³⁷ ~~The recently published report by the Environment California Research and Policy Center, *Net Loss: Overfishing Off the Pacific Coast* (October 2007) identifies significant overfishing along the coast of California and other states. Among the populations identified as overfished (i.e., reduced to below 20-25% of its original population) are several~~

Nearshore Fisheries Management Plan that an overfished stock is one that has been reduced to 30% of its unfished biomass, and that controls would need to be enacted whenever a stock is reduced to 60% of its unfished biomass. Thus, Poseidon's experts demonstrated that, because the ETM indicates the species entrained by the power plant intake average only 12.2% of the species at risk, even if these proportional losses of larvae were the same as losses of adults of the species, the CDFG fishery management practice recognizes that losses to the population of up to 40% are safely sustainable and would have no adverse impacts on the population. Third, Poseidon contends that the vast majority of the species that may be entrained as a result of stand-alone operations are not commercially or recreationally fished. Since they are not harvested, Poseidon contends, as confirmed by the EIR, the low levels of mortality imposed by entrainment would not affect the populations.⁸⁹ Moreover, Carlsbad's Final EIR considered potential entrainment impacts of the stand-alone facility, and determined that entrainment would not cause any significant adverse impacts. However, although the Final EIR found the project would cause no significant entrainment impacts pursuant to CEQA, the Commission finds that the project's entrainment impacts will require mitigation to ensure conformity to Coastal Act Sections 30230 and 30231. Having seen only the summary Poseidon provided, rather than the full study, the Commission is requiring through Special Condition 8 that Poseidon provide the full study to confirm these contentions.

State law prohibits any commercial or recreational ~~take~~fishing of the garibaldi (*Hypsopops rubicundus*), which is also California's state marine fish. The project EIR stated that entrainment of garibaldi should be considered a *de minimis* impact; ~~however, this does not mesh. Poseidon confirmed that garibaldi currently live in the rocks immediately adjacent to the power plant intake structure, and that biological surveys of the species indicate that it is thriving and has thrived during the operation of the power plant, notwithstanding the fact that historically the pumping rate of the power plant has been twice the rate at which Poseidon's project proposes to operate.⁹⁰ However, project opponents argue that, even if the species is thriving, entrainment may be inconsistent~~ with the provision of Coastal Act Section 30230 requiring that special protection be provided to species of biological or economic significance, or with California state law, which establishes a total prohibition on taking the species.³⁸⁹¹ ~~About 6% of the organisms identified in Poseidon's study were garibaldi. Using the entrainment figures from above, this would total about one million of the 16 million fish larvae entrained each day (6% x 16,121,000 = 967,260). This adverse~~Poseidon counters that the

~~that rely on fish that would be entrained by Poseidon's project~~⁸⁸ See Electric Power Research Institute Comment Letter regarding the Proposed Statewide Policy for Once-Through Cooling, dated September 14, 2006, submitted to SWRCB.

⁸⁹ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at pp. 10-11.

⁹⁰ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at p. 10.

³⁸⁹¹ 14 CCR 28.05 states that Garibaldi may not be taken or possessed. ~~14 CCR 1.80 defines "take" as "Hunt, pursue, catch, capture or kill fish, amphibians, reptiles, mollusks, crustaceans or invertebrates or attempting to do so."~~

California law prohibiting take of garibaldi is inapplicable here, as it relates to fishing garibaldi, not operating a desalination facility that may unintentionally entrain garibaldi. This impact will require ~~species-specific~~ mitigation as part of the Marine Life Mitigation Plan required through imposition of **Special Condition 8**, described below. Poseidon has proposed restoration of 37 acres of wetland habitat, which will significantly enhance the marine environment by creating habitats for species unaffected in any manner by intake flows. Operating as a stand-alone facility, the project will also enhance the marine environment because in the absence of the project’s maintenance dredging and stewardship of the Lagoon, sedimentation from urban run-off will cause the Lagoon to close within five to seven years, resulting in a loss of its beneficial uses.⁹²

The California halibut (*Paralichthys californicus*) would also be subject to entrainment. The study showed that about 0.15% of the entrained fish would be halibut; however, this may be considered a significant number, given the steep decline in California halibut populations over the past several decades. ~~Using the entrainment figures from above, more than 24,000 halibut larvae per day would be lost to entrainment (i.e., 0.15% x 16,121,000 = 24,181.5).~~ The California Department of Fish and Game associates this decline with the loss of nursery habitat in shallow bays such as Agua Hedionda and has established strict limits for commercial and recreational halibut fishing.³⁹⁹³ Similarly, the Northern anchovy (*Engraulis mordax*) is subject to state fishing regulations and additionally serves as an important forage fish for a number of species, including the California halibut.

These three important species – the garibaldi, California halibut, and Northern anchovy – make up about 6% of the identified organisms collected during entrainment sampling. They would constitute a similar percentage of the ~~millions of~~ organisms that Poseidon’s project would entrain, and therefore represent an adverse impact to marine biological resources protected under the Coastal Act.

Overall, Poseidon’s entrainment study results show that its proposed use of an estuarine intake would ~~causes a substantial loss of important~~ cause a reduction in individual species and ~~substantial loss of~~ a reduction in production within Agua Hedionda. It may also cause losses in nearby nearshore waters due to the intake entraining organisms that would otherwise enter nearshore areas due to tidal discharges; however, the study results did not identify whether that hydrodynamic-related effect was included. But, even in the absence of any mitigation, the project will also enhance the marine environment because in the absence of the project’s maintenance dredging and stewardship of the Lagoon, sedimentation from urban run-off

⁹² See Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon :Low Flow vs. No-Flow Alternatives, Dr. Scott Jenkins, September 28, 2007.

³⁹⁹³ See CDFG’s information at: <http://www.dfg.ca.gov/mlpa/response/halibut.pdf>

will cause the Lagoon to close within five to seven years, resulting in a loss of its beneficial uses for organisms currently living in the Lagoon.⁹⁴

Mitigating the Impacts Caused by the Poseidon’s Use of an Estuarine Open Water Intake:

Mitigation Background: The standard approach for identifying, selecting, and implementing appropriate mitigation for project impacts is to first *avoid* the impacts, to then *minimize* the impacts, and to finally *compensate* for the impacts that remain.⁴⁰⁹⁵ Mitigation sequencing, as it is known, requires that mitigation measures to achieve the first step be considered and selected (or be determined infeasible) before moving to the next step. If the third step, compensatory mitigation, is necessary to address remaining impacts, it also includes a preferred sequence – to first create environmental conditions similar to those being lost; to next restore or enhance conditions similar to those being lost; and to finally preserve or protect an area that provides habitat value. It is generally preferable to select “in-kind” mitigation; that is, to develop mitigation sites with habitat similar to that being adversely affected, rather than to develop “out-of-kind” mitigation. Similarly, it is generally considered better to develop mitigation on-site rather than off-site.

Avoiding and Minimizing Impingement Impacts: As noted above, Poseidon’s study showed that its use of the power plant intake would impinge less than 2.5 pounds of fish per day, which the Commission considers a de minimis impact.

The primary method of avoiding and minimizing impingement is to maintain intake water velocities below 0.5 feet per second (fps), a rate that the U.S. EPA considers to be “best available technology” for cooling water intakes. This velocity represents the rate from which most fish species are able to swim away from intake screens and avoid being impinged. Poseidon showed in its draft *Revised Flow, Entrainment, and Impingement Minimization Plan* that its use of the power plant pumps would create intake velocities higher than 0.5 fps and that its preferred operating scenario – using the power plant’s Unit 4 pumps—would result in rates between 1.8 and 2.8 fps, or from more than three to five times the acceptable rate. However, in Exhibit B of its November 9, 2007 letter to Commission staff, Poseidon states that water velocities at the intake bar racks during stand-alone operations would be less than 0.5 fps, which would conform to the U.S. EPA’s “Best Technology Available” standard for minimizing impingement impacts. ~~Poseidon has also stated~~ Furthermore, Poseidon’s Exhibit B and its Revised Flow, Entrainment, and Impingement Minimization Plan state that it will install variable frequency drives on its intake system to further decrease water velocities. ~~Additionally, as noted previously, Poseidon has stated it intends to apply for an “incidental take permit” from NMFS. With these measures, the project is not likely to cause substantial adverse impingement effects.~~ and any related impingement. At this low velocity and with variable frequency

⁹⁴ See Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon :Low Flow vs. No-Flow Alternatives, Dr. Scott Jenkins, September 28, 2007.

⁴⁰⁹⁵ See, for example, the CEQA Guidelines at Section 15370.

drives, the already de minimis impacts that Poseidon’s project may cause will be further reduced, and thus mitigated to an insignificant level with no impact on the species, in conformity with Coastal Act Sections 30230 and 30231.

Avoiding Entrainment Impacts: The most direct way to avoid Poseidon’s expected adverse entrainment effects would be, if feasible, to use an alternative intake structure that avoids those effects. ~~Subsurface~~**Certain types of subsurface** intakes may avoid these effects by drawing in water through an overlying layer of sand. As discussed below, however, the Commission finds that these alternatives are infeasible.

The four main types of intakes are vertical beach wells, Raney-type wells, slant-drilled wells, and infiltration galleries (see Exhibit 4). Vertical beach wells are essentially the same as wells located at inland locations, drilled to a depth where they intercept an underlying aquifer, or for beach wells, where they intercept the seawater “wedge” underlying the beach. Raney-type wells are vertical wells with an additional series of horizontal collector wells extending out from the bottom of the vertical well shaft. This type of well can significantly add to the yield obtained from a vertical well shaft. Slant-drilled wells are drilled at an angle from the beach or from further inland, with a perforated well casing that extends below the seafloor to intercept water from below the substrate. An infiltration gallery consists of a series of perforated pipes that are placed in a trench dug on the seafloor, which is then backfilled with sand. As described more fully below, the most common adverse effects of ~~these systems~~**wells** would be caused by construction or would be related to groundwater quality or quantity. For example, an improperly located subsurface intake could draw down aquifers or could intercept areas of contaminated groundwater or water with naturally high mineral content ~~that is,~~ **excessive salinity concentrations or high levels of suspended solids that are** difficult ~~and expensive~~ to treat, ~~which could render an alternative~~ **rendering the project practically and** economically infeasible. **Adverse effects of galleries include significant environmental impacts relating to construction and destruction of over 150 acres of coastal habitat.** Although subsurface intakes can, like open water intakes, cause adverse environmental effects, they may be less severe and temporary, and a properly designed subsurface system can be environmentally benign. At least four desalination facilities along the California coast use beach wells as their feedwater system, and the Commission recently approved two pilot studies to determine the applicability of both a slant-drilled intake and an infiltration gallery for desalination.

The amount of water subsurface intakes can take in depends on the permeability of the overlying substrate and other geotechnical characteristics. With an infiltration gallery, the substrate can be engineered to allow much higher permeability than would occur with the natural substrate. Subsurface intakes also offer additional operational advantages, such as reduced chemical use and reduced operating costs. Water from subsurface intakes generally has lower concentrations of solids, organic material, oil and grease, and other constituents that would have to be removed before the water contacts a desalination facility’s reverse osmosis membranes. The natural filtering effect of the overlying substrate can buffer changes in the open water column caused by storms, runoff, or spills, and they may be able to operate during times when facilities with open water intakes would have to shut down. Subsurface intakes also provide some of the pre-treatment needed before seawater goes through desalination filters or membranes, thus

eliminating part of the chemical or physical treatment that would otherwise be required at the desalination facility. While subsurface intakes may have higher initial construction costs, they can result in long-term operational savings due to their lower pre-treatment and chemical costs, and because water quality from those intakes is generally less variable, which allows for more efficient desalination operations. These characteristics are likely more evident from intakes that extend under the nearshore ocean water column than those that intercept aquifers that may be affected by surface infiltration from inland areas or have high mineral content.

The project EIR evaluated the feasibility and environmental impact of several types of alternative intake systems pursuant to the Modified Intake Design Alternative. It concluded that the use of horizontal wells, vertical beach wells, and infiltration galleries were either infeasible or would cause greater ~~adverse~~ environmental impacts than ~~would~~ the project's proposed use of the existing power plant intake.⁹⁶ It stated that those alternative intakes would result in adverse construction, noise, traffic, and air pollution impacts during construction, as well as adverse effects on public access. Poseidon also provided documentation that subsurface intakes would cause more significant impacts than those caused by the existing power plant intake and that they would be economically infeasible. In support of this ~~contention, it~~ position, Poseidon has submitted ~~several documents and cost estimates described below.~~⁴¹ extensive analysis and cost estimates it prepared at the request of Commission staff. This information provides further confirmation that alternative intake systems were infeasible and not the environmentally preferred alternative.⁹⁷ Regarding economic infeasibility, Poseidon believes that subsurface intake options would be infeasible in part because they would raise the anticipated cost of desalinated water from Poseidon's current estimate of \$950 per acre-foot to about \$1300 per acre-foot.

Regarding slant-drilled wells, a recent study conducted by the Municipal Water District of Orange County (MWDOC) showed that that type of intake could be used to draw in 30 MGD of seawater for its proposed desalination facility near Dana Point.⁴²⁹⁸ The facility would draw 30 MGD from nine 500-foot long wells extending under the seafloor at about a 20° angle. Poseidon submitted evidence stating slant wells ~~would be~~ are infeasible because pilot testing

⁹⁶ See Project EIR at Section 6.3.

⁴¹⁹⁷ See Poseidon Resources Corporation Response to California Coastal Commission's Letter of September 28, 2006, November 30, 2006, at pp. 24-51; See Poseidon Resources Corporation Response to California Coastal Commission's December 28 Request for Additional Information, February 2, 2007, at pp. 2-4; See Poseidon Resources Corporation Response to California Coastal Commission's February 20 Request for Additional Information, June 1, 2007, at pp. 2-7, 10-11; See Poseidon Resources Corporation Response to California Coastal Commission's July 3 Request for Additional Information, July 16, 2007, at pp. 4-8, 11-14; Poseidon Resources Corporation, Additional Analysis of Submerged Seabed Intake Gallery, October 7, 2007; Poseidon Resources Corporation, Issues Related to the Use of the Agua Hedionda Inlet Jetty Extension EIR to Recommend an Alternative Seawater Intake for the Carlsbad Desalination Project, October 8, 2007; Poseidon Resources Corporation, Intake Cost Estimates, October 2007.

⁴²⁹⁸ See Boyle Engineering's *Dana Point Ocean Desalination Project – Engineering Feasibility Report* (March 2007), prepared for the Municipal Water District of Orange County.

indicates that the quality of the water available from them would be so low as to be difficult, if not impossible, to treat due to salinity concentrations twice that of seawater, excessive iron, and high suspended solids.⁹⁹ Poseidon’s studies also confirmed that, at best, one slant well could provide only 5% of the water required by the project. Thus, numerous slant wells would be needed to meet project objectives and address the well-documented water needs in Southern California. As a result of the necessity for multiple slant wells in public areas, this option is infeasible due to their ~~presence on the beach,~~ noticeable presence on the beach and disruption of public access and recreation, ~~and because of water quality characteristics such as high iron, salinity, and suspended solid concentrations that would make the water more difficult and expensive to treat~~ Poseidon also determined that well yields in the Carlsbad area would be lower than those of the Dana Point example above and that its 304 MGD water use would require up to about twenty wells, which would result in even greater adverse construction and public access-related impacts. The project EIR concluded that construction and use of subsurface intakes for the project would cause adverse environmental impacts to coastal resources at Carlsbad beach, including but not limited to traffic, noise, and air pollution during impacts for a two-year~~s~~ construction period, and ongoing loss of public access to the beach area occupied by the wells both during and after construction.¹⁰⁰ The EIR also concluded that the slant wells would require the construction of permanent access ramps from the Pacific Coast Highway to the beach to transport equipment during construction and to permit well inspection during the life of the project. It further concluded that because the project would require multiple smaller well facilities to meet its ~~proposed capacity~~ needs, the wells would result in far greater adverse environmental impacts and costs than the proposed project, ~~and that they would be infeasible.~~ neither feasible to address water needs nor consistent with Coastal Act policies.¹⁰¹

An infiltration gallery is another potential alternative. These systems are in place at a number of locations around the world, including one that provides water for a 45 MGD desalination facility, with plans for other galleries that would provide up to several hundred million gallons per day for power plant cooling water use. While these systems would result in seafloor disturbance during construction, they would cause few, if any, impacts to marine life once in operation. When installed in an area of open sandy seafloor, the post-construction benthic habitat conditions would be essentially the same as pre-construction conditions. The initial construction impacts to the offshore sandy bottom habitat would be similar to the continual offshore sand deposition and movement already experienced by that type of habitat ~~and would be far less severe than the ongoing entrainment losses caused by open water intakes.~~

⁹⁹ See Poseidon Resources, Transmittal of Analysis of Alternative Subsurface Seawater Intake Structures, Proposed Desalination Plant, Carlsbad, CA, Wiedlin & Associates (January 30, 2007), sent February 2, 2007; Poseidon Resources Corporation, Response to California Coastal Commission’s September 28, 2006 Request for Additional Information, November 30, 2006, at pp. 31-41.

¹⁰⁰ See Project EIR Section 6.3.

¹⁰¹ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at pp. 16-18.

~~Poseidon's concerns about infiltration galleries are similar to those it expressed about slant drilled wells—that galleries would be environmentally and economically infeasible. Poseidon initially contended that a gallery needed for its facility would irreversibly destroy about 46 acres of seafloor and it describes this impact as significantly greater than that caused by its anticipated estuarine entrainment. Poseidon also contends that constructing the system would require that a 15-foot thick layer of sand be removed from this 46-acre area and loaded on trucks to be taken to a landfill, and that operating the system would trap marine organisms on the seafloor due to the pull of the intake pumps.⁴³ However, these two contentions are invalid. As~~ noted above, once a gallery is installed, it is essentially invisible from the surface of the seafloor, both in terms of its structure and any effects on marine life. The systems are designed so that the pull of the pumps are undetectable at the seafloor, thus making it highly unlikely that organisms would be “trapped.” While Poseidon's initial geophysical surveys of an area offshore of Agua Hedionda showed an area of over 200 acres of featureless bottom with fine-grained sand, which may be suitable for such a system, recent surveys of the area indicated that 70% of the inspected area would contain sensitive basement and high relief reefs.¹⁰² During construction, not all the seafloor material within the gallery area would need to be removed, and it certainly would not require being transported to a landfill. Most material would likely be suitable for the ongoing longshore sand movement in this area of the coast. ~~Poseidon's initial geophysical surveys of an area offshore of Agua Hedionda show an area of over 200 acres of featureless bottom with fine-grained sand, which may be suitable for such a system. However,~~ The largest infiltration gallery used for desalination, at San Pedro del Pinatar in Spain, was selected in recognition of its location next to the highly sensitive marine environment of a regional nature reserve. That installation was also able to use horizontal directional drilling, which significantly reduced its installation impacts. However, based on testimony provided at the Commission's November 15, 2007 hearing, the facility in Spain is now having significant fouling problems with the intake; the plant and a future expansion will rely on an open ocean intake for its primary source of seawater.

Infiltration galleries would cause even greater environmental impacts than slant wells, and would be and economically infeasible. In Exhibit B of its November 9, 2007 letter to Commission staff, Poseidon ~~states~~confirmed that over 70% of this area offshore of Carlsbad actually consists of more sensitive basement and high relief reefs. ~~It further states~~Poseidon also provided evidence demonstrating that an adequately-sized subsurface system would require about 150 acres of seafloor, which would be irreversibly damaged by gallery installation and operations. ~~Poseidon's documentation suggests that a 150-acre gallery in this area would therefore be physically and environmentally infeasible. Such a system would also result in extensive construction-related impacts along area beaches, which would reduce public access to the shoreline. Poseidon also noted in its presentation at the November 15, 2007 Commission hearing that a desalination facility in Spain, which constructed a relatively large infiltration gallery as its intake system due to its location next to a highly sensitive marine reserve, is~~

⁴³ ~~See Poseidon's July 16, 2007 letter to Commission staff.~~

¹⁰² See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Ex. B, p. 18.

~~experiencing fouling problems and will use an open water intake for its future expansion.~~ Based on this information, the environmental impact of the loss of 150 acres of offshore habitat is far greater than the impacts from the proposed existing intake for the following reasons:

~~Poseidon further notes that an infiltration gallery at this location would cause substantial environmental impacts during construction due to the excavation of about 150 acres offshore for placing pipes and associated infrastructure and due to constructing up to several dozen intake wells and trenches for collector piping along about three miles of beach. These activities would also result in substantial adverse effects to public access and recreation along the shoreline and would result in adverse air quality impacts caused by construction equipment. Any aboveground elements of the system might also create adverse visual impacts along the shoreline.~~

First, construction of an infiltration gallery would result in an actual physical removal and destruction of 150 acres of coastal habitat, such that a 15-foot thick layer of ocean bottom shelf with all living organisms in it would be removed. On the other hand, the estimated 36.8 acres of HPF associated with the proposed project is acknowledged by the experts to represent a worst-case impact, extremely conservative measure of potential impact of loss of marine organisms that relies on a number of conservative assumptions, which are not likely to occur in practice.¹⁰³

Second, it would be necessary to excavate and construct 76 intake water collection wells and trenches for collector piping along a three-mile beach strip of the City of Carlsbad shore, which would limit public access to the beach for a period of 2 to 4 years, result in significant loss of recreational activities for the City of Carlsbad, and result in a permanent loss in public access and visual resources impacts where the unsightly collection wells are located.¹⁰⁴

Third, excavation of three-mile long by 400 feet wide strip of seafloor will make this area of the ocean unavailable for recreational activities such as fishing and diving and will result in additional NOx and carbon dioxide gas emissions associated with operation of barges and platforms and equipment needed to excavate and remove the ocean shelf material over this vast area.¹⁰⁵

Fourth, in order to secure consistent operation of the filter bed, this bed would require dredging every one to three years to remove the sediment and entrained marine life that would accumulate in the intake filter bed and which, over time would plug the bed. The dredged material would require disposal away from the one-mile strip of the intake filter bed to prevent the removed solids from returning to the area of the bed. This would not

¹⁰³ See Poseidon Resources Corporation, Additional Analysis of Submerged Seabed Intake Gallery, October 8, 2007.

¹⁰⁴ Id.

¹⁰⁵ Id.

only result in frequent adverse impacts to the marine flora and fauna in the area but would also render the area unavailable for recreational activities during maintenance activities.¹⁰⁶
Based on the foregoing, a 150-acre gallery in this area would be physically and environmentally infeasible.

Poseidon also ~~contends~~ submitted evidence demonstrating that such a system would be economically infeasible. Its October 2007 cost estimates show that an infiltration gallery for its Carlsbad facility would cost \$646 million.

In reviewing the EIR, ~~Poseidon's documentation of~~ Commission staff's presentation, and Poseidon's submissions about alternative intake systems, including the potential significant environmental impacts, ~~costs, and~~ site-specific constraints, and costs of ~~these~~ alternative subsurface intakes, and based on the above, the Commission finds that the substantial weight of the evidence is that subsurface intakes ~~would be~~ are an infeasible alternative and would cause greater adverse impacts for two reasons. First, the proposed alternatives would result in greater environmental impacts than the proposed project due to destruction of coastal habitat from construction of the intake systems, the loss of public use of coastal land due to numerous intake collector wells that would be located on the beach, and the adverse environmental impacts to coastal resources during construction, including but not limited to the creation of negative traffic, noise, and air pollution impacts. Second, the alternative intake systems are infeasible at the project site due to site-specific geologic and/or water quality conditions, which render the water untreatable, and the increased and prohibitive costs of such intake systems.

Minimize or reduce entrainment impacts: Another alternative considered that would reduce but not eliminate adverse entrainment and impingement impacts would be to move the intake offshore into open coastal waters.

However, similar to its ~~views on~~ position on the environmental inferiority of subsurface intakes, Poseidon ~~contends~~ provided evidence that this alternative would cause even more significant impacts than its proposed use of the existing power plant intake, and that it is economically infeasible. It characterizes the impacts caused by an offshore intake as “significant and irreversible.” In Exhibit B of its November 9, 2007 letter to Commission staff, Poseidon states that using an offshore intake would likely require ~~installing~~ installation of a large diameter pipe over one thousand feet long which, depending on placement, might cross areas of rocky reef habitat, and ~~end~~ terminate in an area near some kelp beds. It also states that the effects of this pipe's placement and operations on habitat, sand flow, and sedimentation are not known. Poseidon ~~further states~~ 's experts concluded that entrainment and impingement caused by this intake ~~would cause~~ could potentially affect a greater diversity of organisms than those affected

¹⁰⁶ Id.

by the existing intake in Agua Hedionda⁴⁴ and that organisms colonizing the inside of the pipe would consume much of the entrained plankton.¹⁰⁷

Poseidon also provided ~~documentation showing~~ evidence that such an intake would also be economically infeasible. On October 18, 2007, Poseidon provided cost estimates showing that a 1000-foot long offshore intake would cost about \$150 million.

One measure Poseidon offered to include in its facility to reduce entrainment would be to install variable speed pumps (see Poseidon's June 2007 *Flow, Entrainment and Impingement Minimization Plan*); however, since the entrainment rate is primarily a function of the amount of water used, this measure would not likely reduce entrainment as long as Poseidon continued to pump the anticipated 304 MGD into the desalination facility.

~~Other available mitigation options that would avoid or reduce entrainment impacts include the use of a zero discharge system or routing more of Poseidon's discharge to the sanitary sewer system, as either of these options would reduce the amount of estuarine water needed for dilution. A zero discharge system uses either mechanical means or evaporation to re-use and reduce discharge volumes. Some of these systems may also allow some cost savings through their recovery of salts or minerals from the seawater. Although the scale of the proposed project may prevent use of a zero discharge system for the entire amount, it could possibly be used for some of the discharge, perhaps in conjunction with routing additional volumes to the sanitary sewer system at the nearby Encina Wastewater Pollution Control Facilities. However, the sewer system has limited capacity, and this option would be feasible only if additional capacity were to be made available.~~

As noted in Exhibit B of its November 9, 2007 letter, Poseidon has submitted to the Regional Board a *Flow, Entrainment and Impingement Minimization Plan* meant to identify feasible methods to minimize the remaining entrainment impacts. The Board's ~~eventual final~~ approval of that Plan is to be based on Poseidon identifying the best available and feasible operational, technological, and mitigation measures to meet that standard. Poseidon further notes that a proposed condition of the draft State Lands Commission lease would require, ten years after the lease is issued, that Poseidon be subject to further environmental review to ensure its operations at that time are using technologies that may reduce any impacts. Regarding the potential to route all or part of its discharge to the nearby sewer treatment system, Poseidon notes that the system is not designed to handle highly corrosive concentrated seawater.

Therefore, based on the above, the Commission finds that Poseidon's proposal is using all feasible methods to minimize or reduce its entrainment impacts. Even so, project operations will result in ~~ongoing substantial~~ entrainment impacts that require compensatory mitigation, as described below.

⁴⁴¹⁰⁷ See *Issues Related to the Use of the Agua Hedionda Inlet Jetty Extension EIR to Recommend An Alternative Seawater Intake for the Carlsbad Desalination Project*, Graham, Le Page and Mayer, October 8, 2007.

Compensatory mitigation: The third main step in mitigation sequencing is to provide compensatory mitigation – that is, creating, restoring, or enhancing the same or similar types of habitats as those a project would adversely affect. This mitigation step has its own sequence – it should first be “in-kind,” if possible – that is, it should result in the same type of habitat as that being lost; it should be “on-site” – that is, it should be at or near the site of the affected habitat; and it should be “in time” – that is, the mitigation site should provide habitat functions at the same time the affected habitat is losing its habitat value. As mitigation options move away from any of these three characteristics, the amount of mitigation needs to increase to reflect that the mitigation is not fully providing the habitat functions and values being lost. For example, if a mitigation site is not expected to provide its expected habitat functions for several years – due to the need to construct it, plant the necessary vegetation, let the vegetation take hold, etc. – that time lag is addressed by requiring mitigation at greater than a 1:1 ratio to make up for the time period between when the habitat impact starts and when the mitigation site begins providing the anticipated habitat function. Similarly, when mitigation is intended to replace lost high-quality habitat, a restoration or enhancement mitigation site will often be larger than the project site to reflect the overall lower quality of the habitat that comes about through mitigation. Mitigation ratios can range from as low as 1:1 when mitigation is certain, immediate, and of equivalent value as the lost habitat, to 30:1 or higher for lower quality or delayed mitigation to make up for the loss of high-quality habitat.

On October 10, 2007, Poseidon provided to Commission staff its proposed *Coastal Habitat Restoration and Enhancement Plan* that it ~~intends~~prepared to submit to the Regional Board. This Plan described seven possible mitigation options at various locations in Agua Hedionda or elsewhere in northern San Diego County. Commission staff evaluated it to determine whether it would provide adequate mitigation for Poseidon’s anticipated entrainment and impingement impacts. As discussed below, the Plan does not yet include the level of information or certainty to determine that any of the possible measures would be implemented, would provide adequate mitigation, or would conform to Coastal Act provisions. However, with the Commission’s imposition of **Special Condition 8**, ~~requiring that Poseidon submit for further Commission approval a revised Plan that fully documents Poseidon’s entrainment study, identifies~~which, as described more fully below, requires that the Plan identify specific mitigation measures, implementation plans, performance criteria, monitoring measures, and other standard mitigation ~~plan~~ elements, the Commission ensures that the project will provide adequate mitigation for Coastal Act conformity.

~~Poseidon contends that the Commission has no authority to require mitigation for the anticipated entrainment impact since it expects the Regional Board to address any mitigation needs. The Commission disagrees. Coastal Act Sections 30230 and 30231 confer on the Commission authority to regulate impingement and entrainment impacts of processes that involve the intake of seawater. This authority is not affected by the limitation of Section 30412(b) that prohibits the Commission from taking any action that is “in conflict with” any determination by the State Water Quality Control Board or a Regional Board “in matters relating to water quality....” The Commission’s position is that adverse entrainment and impingement effects on marine organisms are not matters of “water quality.” This interpretation of the “no conflict” language of~~

~~Section 30412(b) is supported by the second paragraph of that provision which provides that nothing in Section 30412(b) “shall be interpreted in any way...as...limiting the Commission...from exercising” its authority under the Coastal Act “except as provided in this section.” (Emphasis added.)~~

~~Past Commission decisions have included findings and conditions based in part on entrainment and impingement impacts to marine resources. Recently, for example, the Commission denied the proposed BHP Billiton Liquefied Natural Gas terminal (CC # 079-06) due in part to its inadequate entrainment mitigation. In several power plant siting cases during the past seven years, the Commission found that the predicted adverse entrainment effects would be significant and would require mitigation to conform to Coastal Act policies. As noted previously, these include Moss Landing, Morro Bay, and South Bay, which have intakes in estuaries. One of Poseidon’s possible mitigation sites is adjacent to the San Dieguito Wetlands Restoration Project. This restoration project results from Commission’s Coastal Development Permit #6-81-330 that required Southern California Edison to mitigate for the marine resource impacts caused by the San Onofre Nuclear Power Station (SONGS), which include entrainment.~~

Poseidon stated in its proposal that it would provide up to \$2.79 million for various potential mitigation projects in northern San Diego County. ~~§~~The Plan identified those potential projects based on responses to Poseidon’s distribution in August 2007 of a “Request For Expressions of Interest” (REI). The REI asked interested parties to submit mitigation proposals that would “preserve, restore or enhance existing wetlands, lagoons, or other high-productivity near-shore coastal areas” in San Diego County. The proposals were also to be consistent with requirements of the Coastal Commission, Regional Board, National Marine Fisheries Service, and other federal, state, and local agencies. Poseidon asked that the proposals cover areas of from five to 37 acres, that they hold promise for long-term benefits, and that they be technically feasible.

In its October 10, 2007 proposal, Poseidon presented to Commission staff a description of seven possible mitigation options from the responses received:

- *San Dieguito Coastal Habitat Restoration*: This proposal describes possible mitigation measures at San Dieguito Lagoon, about 12 miles south of Agua Hedionda. This mitigation site would be adjacent to a 115-acre mitigation site being developed by Southern California Edison pursuant to Coastal Development Permit #6-81-330. The proposal describes two options, each of which would create about 37 acres of various wetland and upland habitat types – e.g., high salt marsh, seasonal salt marsh, native grasslands, etc. – for about \$2.4 million to \$2.79 million. Both options would rely in part on water quality treatment ponds that have been funded but not yet constructed. It is unclear from the description how either option would be selected or implemented.

~~In Fall 2007, the San Dieguito watershed experienced major fire damage, which has greatly affected the Lagoon. The San Dieguito River Valley Regional Open Space Park Joint Powers Authority estimates the recent fires burned over 60% (45,000 of 74,000 acres) of the land adjacent to the river and within the park planning area. These upstream conditions suggest that landslides, sedimentation, and other phenomena resulting from the fire will~~

~~create substantial disturbances downstream in the area of both the existing San Dieguito restoration area and Poseidon's possible mitigation site. These will likely affect the performance and success of existing mitigation and will affect how future proposed mitigation is implemented.~~

- *Loma Alta Lagoon Restoration:* This proposal describes acquiring two privately-owned parcels that total 0.89 acres and restoring those and three other publicly-owned adjacent parcels to add 3.01 acres of wetlands to an already restored 2.0 acre lagoon in Oceanside. The overall project, proposed by the City of Oceanside, would cost about \$5.6 million. It is not clear from the proposal whether other funds have been provided or what amount is being requested from Poseidon. The proposal does not provide specific descriptions of the expected habitat types.
- *Agua Hedionda Lagoon Ecological Reserve Expansion:* This proposal describes acquiring and preserving a parcel of land near the existing Ecological Reserve on the north shore of Agua Hedionda's Inner Basin. The subject parcel is apparently being considered for a housing development, but provides wildlife habitat adjacent to the Lagoon's wetlands. However, the proposal does not identify details about expected mitigation benefits or project costs. Additionally, it is apparently contingent on first determining whether the current owner is interested in selling and then raising other needed funds for the purchase. It describes Poseidon's potential contributions as helping with a down payment or helping to secure a loan for the property.
- *Agua Hedionda Lagoon Invasive Plant Eradication and Native Plant Restoration:* This proposal would involve removing invasive, exotic species from the Agua Hedionda watershed and planting native species. It proposes a one-year, \$1 million project that would locate and map non-native, invasive plants, remove some number of those plants, revegetate those areas with native plants, measure water quality and habitat parameters before and after site treatments to determine ecosystem improvements, and provide public education and outreach. However, the proposal does not specify how many acres of invasive plants would be removed or how many acres of native plants would be planted, and does not include any monitoring or contingency plans to ensure the areas are maintained.
- *Agua Hedionda Lagoon Abalone Stock Enhancement:* This proposal by the Carlsbad Aquafarm would involve growing and planting about 100,000 abalone at unspecified sites in Agua Hedionda and other nearby waters. It would require \$910,000 and is expected to take from three to five years.
- *Buena Vista Lagoon Environmental Analysis:* This proposal consists of a request that Poseidon fund the completion of a Restoration Plan and Environmental Impact Report for the Buena Vista Lagoon Foundation.
- *Frazee State Beach Coastal Bluff Habitat Restoration:* This proposal, from the California Department of Parks and Recreation, would restore about 5.8 acres of coastal bluff habitat near Agua Hedionda. The project would cost \$508,330 and would involve removing non-

native vegetation, performing unspecified habitat restoration, and providing public interpretation.

Poseidon's ~~subsequent modification of its proposal~~ analyzed these options and in its November 9, 2007 submittal to the Commission ~~and at the November 15, 2007 Commission hearing included just the San Dieguito restoration project. Poseidon stated it believed this project would be the best option to preserve, restore,~~ it determined that San Dieguito Coastal Habitat Restoration is best fit to preserve, restore and enhance existing wetlands ~~as mitigation for its impacts to marine life in Agua Hedionda lagoon. This updated proposal included the creation of about,~~ lagoons or other high-productivity near-shore coastal areas located in the vicinity of Agua Hedionda Lagoon and/or elsewhere in San Diego County.¹⁰⁸ The source of numerous environmental benefits, this option will generate 40.71 acres of coastal wetlands ~~similar to those affected at Agua Hedionda. It would occur at a site adjacent to other wetlands being restored as part of the SONGS restoration project mentioned above.~~ habitat comparable to that found in and around Agua Hedionda Lagoon (exceeding Poseidon's proposal to restore and enhance 36.8 acres of coastal habitat), is supported by a broad array of local, state, and federal agencies, and will provide sustainable, comprehensive environmental benefits for water quality, habitat diversity for species abundance and for sensitive and endangered species.¹⁰⁹

Overall, although Poseidon contends this proposal ~~has the potential to partially~~ will more than mitigate for Poseidon's anticipated entrainment impacts, ~~it~~ Commission staff contends that the Plan does not currently provide enough information or certainty to determine what mitigation would actually occur. ~~Its~~ The staff's position regarding its shortcomings include the following:

- ~~The proposal~~ Staff contends that the Plan provides no certainty that the potential project would occur, as Poseidon states the mitigation is contingent upon possible Regional Board approval.

The proposal does not include the type or level of information needed to determine what mitigation benefits would accrue, what performance standards or contingency measures would be used to ensure mitigation success, or other similar descriptions generally required for determining the adequacy of a mitigation proposal. ~~At best, the~~ The proposal has the potential to ~~partially~~ mitigate for entrainment impacts, but the Commission would need a substantially more detailed proposal to determine whether it would meet Coastal Act mitigation standards.

The Commission notes, for example, that Poseidon's proposed mitigation area would be adjacent to a wetland mitigation site the Commission required as part of its approval of the

¹⁰⁸ Poseidon Resources, Carlsbad Desalination Project, Coastal Habitate Restoration and Enhancement Plan, November 2007, at p. 3.

¹⁰⁹ Id. at p. 7.

San Onofre Nuclear Generating Station (SONGS). The Commission has previously determined the San Dieguito restoration site to be part of an acceptable mitigation portfolio for the adverse marine life impacts caused by the SONGS cooling water intake system. To ensure the Commission's approval of the SONGS mitigation plan conformed to Coastal Act policies, it required extensive scientific study, substantial amounts of data collection, and detailed impact analyses to determine the appropriate types and amount of mitigation needed to compensate for the identified adverse effects of the SONGS once-through cooling system – for example, the mitigation required not only wetland restoration to benefit species affected by entrainment, but also included creation of new kelp beds to address the SONGS' impacts to nearby kelp beds. The Commission's approval also required Southern California Edison to meet specific performance standards and to provide ongoing monitoring efforts to ensure the mitigation area functions as intended. Mitigation necessary to address Poseidon's impacts will need to include a similar approach and level of detailed information to ensure Coastal Act conformity. ~~For example, to conform to Coastal Act Sections 30230 and 30231, Poseidon's mitigation plan should include compensatory habitat mitigation for the species of biological or economic significance affected by entrainment (e.g., garibaldi, halibut, etc.)~~

- ~~The proposal~~ Commission staff further comments that the Plan does not include projects that may be available within Agua Hedionda Lagoon, which is already the subject of extensive mitigation work. There are a number of initiatives already occurring or planned that involve enhancing or restoring water quality or habitat in Agua Hedionda, many being implemented with substantial amounts of public funding. Poseidon's planned use of the estuarine intake and its proposed compensatory mitigation approach away from Agua Hedionda would diminish many of the water quality benefits and habitat values that these other mitigation efforts are expected to provide.

~~As noted previously, for example, Carlsbad and other nearby cities are subject to requirements of an NPDES permit issued by the Regional Board to improve stormwater management practices affecting Agua Hedionda. Also, the State Water Resources Control Board is funding development of an Agua Hedionda Watershed Management Plan by the Carlsbad Watershed Network. That plan calls for coordinated and integrated planning for watershed management initiatives.⁴⁵ As part of this plan, the Network is establishing a comprehensive and prioritized list of mitigation opportunities in the watershed, which it expects to complete in August 2008. The Network recently completed research identifying shortcomings in the mitigation approach used thus far in the lagoon that has resulted in low~~

⁴⁵ ~~For example, the Carlsbad Watershed Management Plan includes the following objectives:~~

- ~~“Coordinate watershed efforts: “Action Items” should facilitate coordinated efforts between municipalities, regulatory agencies, and environmental organizations to implement watershed management policies and physical improvements at the most functional locations and in the most effective manner, without the restriction of political boundaries.~~
- ~~Integrate various planning efforts: Planning for land use, transportation, watershed protection and habitat conservation need to be integrated and coordinated. “Action Items” related to planning must look for as many overlapping benefits between these planning topic areas as possible.”~~

~~success rates and recommending steps to improve mitigation success.⁴⁶ The Network requested that any mitigation the Commission may require of Poseidon be integrated with this existing state-funded effort.⁴⁷ Thus far, however, Poseidon's possible mitigation projects do not show the necessary level of coordination with these other ongoing efforts.~~

- ~~• Poseidon states that its proposal is based on providing 1:1 mitigation for the loss of about 37 acres of habitat within Agua Hedionda. However, the potential project would not provide “in-kind,” on-site mitigation—that is, it would not replace the habitat or organisms lost in Agua Hedionda due to entrainment—and so the individual project or any combination of projects would have to provide mitigation at more than a 1:1 ratio.~~
- ~~The proposal~~**Commission staff also comments that the Plan** appears to be based more on cost than mitigation needs. Poseidon has established an upper limit of \$2.79 million for mitigation costs, but that does not appear to reflect the cost to provide adequate mitigation for its expected impacts. For example, the October 10, 2007 ~~proposal~~**Plan** assumed wetland restoration in Southern California would cost about \$75,000 per acre, but it included several proposals where the costs are unspecified or are well above that figure. The San Dieguito proposal comes closest to Poseidon's assumed cost figure, but about a quarter of the mitigation at that site would be uplands. The Oceanside proposal, to restore about three wetland acres for about \$2.5 million is well beyond Poseidon's expected costs. Even the completely out-of-kind mitigation that could result from the Frazee coastal bluff restoration would cost about \$100,000 per acre.

Poseidon contends, however, that the Plan adequately resolves the concerns raised by Commission staff, will more than fully mitigate any project-related entrainment impacts, and ensures that the productivity of coastal waters, wetlands and estuaries will be enhanced and restored in compliance with Coastal Act Sections 30230 and 3023, based on the following:

- **Regarding the concerns about Regional Board approval of the Plan, Poseidon's position is that Carlsbad and other nearby cities are subject to requirements of an NPDES permit issued by the Regional Board to improve stormwater management practices affecting Agua Hedionda. Also, the State Water Resources Control Board is funding development of an Agua Hedionda Watershed Management Plan by the Carlsbad Watershed Network. That plan calls for coordinated and integrated planning for watershed management initiatives.¹¹⁰ As part of this plan, the Network is establishing a**

⁴⁶ ~~Case Study: Systemic Evaluation of Compensatory Mitigation Sites Within the Carlsbad Hydrologic Unit, by Nicholas R. Magliocca, UCSD~~

⁴⁷ ~~See September 24, 2007 letter from Carlsbad Watershed Network to Commission staff.~~

¹¹⁰ **For example, the Carlsbad Watershed Management Plan includes the following objectives:**

comprehensive and prioritized list of mitigation opportunities in the watershed, which it expects to complete in August 2008. The Network recently completed research identifying shortcomings in the mitigation approach used thus far in the Lagoon that has resulted in low success rates and recommending steps to improve mitigation success.¹¹¹ The Network requested that any mitigation the Commission may require of Poseidon be integrated with this existing state-funded effort.¹¹²

- ~~Poseidon contends, however, that its proposal would adequately mitigate for its project-related entrainment impacts. Regarding the concerns about mitigation in Agua Hedionda and the Regional Board's approval of the proposal, Poseidon states that Carlsbad and other nearby cities are subject to requirements of a Regional Board-issued NPDES permit to improve stormwater management practices affecting Agua Hedionda. Poseidon also states~~Poseidon has also stated that it would be very interested in collaborating on a habitat restoration project for Agua Hedionda Lagoon, but that it has not yet received proposals from entities interested in doing marine wetlands mitigation in the lagoon. ~~Of the proposals Poseidon described in October 2007, three were within Agua Hedionda but involved work other than wetland restoration. Poseidon states that while it is currently proposing to restore wetlands at the San Dieguito site, it is also continuing to investigate feasible mitigation opportunities with Agua Hedionda.~~Lagoon. On-site mitigation has not yet been identified as a feasible mitigation option for the project, but the revised Plan provides for further research into on-site mitigation opportunities. The revised Plan contains a detailed description of Poseidon's efforts to identify feasible restoration projects on-site in Agua Hedionda Lagoon. In August 2007, Poseidon sent "Requests for Expressions of Interest" to 77 public and private entities and individuals that are involved in, have jurisdiction over, or interest in wetlands restoration in the San Diego region, including the Carlsbad Watershed Network. Through this effort, Poseidon received a total of eight mitigation proposals. Three proposals involved proposed mitigation projects in the Agua Hedionda Lagoon watershed; however, none of these proposals addressed the primary purpose of the mitigation project – restoration of marine wetlands. Because these proposals did not meet the mitigation project objective, they were not considered further.

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- "Coordinate watershed efforts: "Action Items" should facilitate coordinated efforts between municipalities, regulatory agencies, and environmental organizations to implement watershed management policies and physical improvements at the most functional locations and in the most effective manner, without the restriction of political boundaries.
 - Integrate various planning efforts: Planning for land use, transportation, watershed protection and habitat conservation need to be integrated and coordinated. "Action Items" related to planning must look for as many overlapping benefits between these planning topic areas as possible."

¹¹¹ Case Study: Systemic Evaluation of Compensatory Mitigation Sites Within the Carlsbad Hydrologic Unit, by Nicholas R. Magliocca, UCSD.

¹¹² See September 24, 2007 letter from Carlsbad Watershed Network to Commission staff.

Because investigations to date have not resulted in the identification of any mitigation opportunities within Agua Hedionda Lagoon that meet the basic marine wetlands restoration objectives of the Plan, Poseidon’s proposed mitigation includes a core off-site project that meets the Plan goals and objectives. This mitigation project, located in the San Dieguito River Valley adjacent to the marine wetlands restoration project implemented by Southern California Edison as mitigation for the entrainment and impingement impacts from its San Onofre Power Plant, is being developed in parallel with continued efforts to identify feasible mitigation opportunities in Agua Hedionda Lagoon.

In addition to the core off-site mitigation project, Poseidon’s Flow, Entrainment and Impingement Minimization Plan sets forth a mitigation plan that includes additional coordination activities either (1) to identify if new mitigation options within Agua Hedionda Lagoon have arisen since Poseidon’s last Requests for Expressions of Interest or (2) to confirm the lack of on-site mitigation opportunities. If mitigation opportunities within Agua Hedionda Lagoon have arisen, and such mitigation is determined to be feasible, Poseidon will coordinate with regulatory agencies – including the Commission – to implement such mitigation.¹¹³ If Agua Hedionda Lagoon mitigation that meets the objectives is confirmed to be unavailable and infeasible, Poseidon will implement the proposed off-site mitigation project.¹¹⁴ In the meantime, however, on-site mitigation remains as an option to be further explored after approval of the Plan.

- Poseidon also contends that the Plan provides more than 1:1 mitigation for the reduced productivity in about 37 acres of habitat within Agua Hedionda. However, in Commission staff’s view, none of the potential projects offered would provide “in-kind”, on-site mitigation – that is, none would replace the habitat or organisms lost in Agua Hedionda due to entrainment – and so the individual projects or any combination of projects may have to provide mitigation at more than a 1:1 ratio. In contrast to Commission staff’s view, Poseidon contends that the wetlands in the Plan’s proposed off-site mitigation are of the same type of habitat that would be impacted by desalination plant operations (i.e., gobies, blennies, anchovy, topsmelt, white croaker, etc.), based on the biological survey of the existing tidal wetlands of the San Dieguito Lagoon completed as a part of the Southern California Edison Restoration Project.¹¹⁵ Therefore, the implementation of the proposed restoration project will create in-kind replacement habitat, which has 1:1 restoration value. The 1:1 restoration ratio of the proposed project is consistent with the methodology used by the California Energy Commission for establishing mitigation requirements for the entrainment effects

¹¹³ Id.

¹¹⁴ Id.

¹¹⁵ SCE, San Dieguito Wetlands Restoration Project, Final Restoration Plan, November 2005.

associated with the operation of the AES Huntington beach and Morro Bay power generation plants. The Coastal Commission also found the San Dieguito Lagoon to be acceptable for mitigation of the entrainment and impingement impacts of the San Onofre Nuclear Generating Station, which is 45 miles away from San Dieguito Lagoon and is impacting open water fish species that don't necessarily reside in a lagoon environment. The proposed desalination facility is much closer to the proposed mitigation site (12 miles) and Poseidon is proposing to replace tidally exchanged coastal lagoon habitat with in-kind habitat.

- Regarding Commission staff's concerns about ~~costs, Poseidon states that it is committing to provide 37 acres of tidally~~ the Plan's relationship to costs rather than mitigation needs, at the November 15, 2007 hearing Poseidon did confirm that it commits to providing 37 acres of tidally exchanged marine wetlands ~~and will also propose additional marine resource.~~ Poseidon also voluntarily proposes additional marine resources restoration and enhancement above and beyond the Plan, including stewardship of Agua Hedionda Lagoon and dredging, which would have significant public access and recreational benefits.

At this point, Poseidon has ~~described several mitigation options, but has not yet identified the level or type of mitigation that it would implement to address impacts caused by its use of the estuarine intake. Poseidon has currently~~ identified the need to restore no less than about 37 acres of marine wetlands. However, as described in these Findings and through imposition of **Special Condition 8**, which requires Poseidon to submit for Commission review and approval a Marine Life Mitigation Plan that includes a full entrainment study and contains the specific mitigation measures, implementation plans, and compliance monitoring needed to mitigate the impacts identified in that study, the Commission is ensuring that Poseidon will provide the mitigation adequate to address those impacts in a manner consistent with applicable provisions of Coastal Act Sections 30230 and 30231. ~~Based on the~~ The Commission's review of the entrainment study ~~Poseidon is required to submit, this Plan is expected to~~ finds that the Plan will provide for the restoration of no less than 37 acres of coastal marine wetlands and will include performance criteria, implementation plans, monitoring measures, and other elements necessary to ensure that the project's entrainment impacts are fully mitigated and that marine resources and the biological productivity of coastal waters, wetlands, and estuaries ~~are~~ will be enhanced and restored. in compliance with Coastal Act Sections 30230 and 30231.

Anticipated Project Impacts and Coastal Act Conformity – Discharge-Related

Description of Impacts: The proposed project would result in a discharge of about 250 MGD from the desalination facility to the outfall currently used by the power plant, which is located on state tidelands and on Carlsbad State Beach. The discharge would contain at least 50 MGD of high salinity water from the facility along with at least about 200 MGD of estuarine water pumped into the intake system to provide dilution for the high salinity discharge. The expected "end of pipe" salinity of the blended discharges is expected to be about 40 parts per thousand (ppt) of salinity. This would be about twenty percent higher than the naturally occurring average

salinity of about 33.5 ppt in these nearshore waters. Because the discharge would be immediately adjacent to the shoreline, the plume of higher salinity water would extend along the beach and nearshore waters. Poseidon's discharge would be subject to conditions of an NPDES permit that allows discharges at an average daily concentration of up to 40 ppt and an average hourly concentration of up to 44 ppt. The NPDES permit additionally requires Poseidon to conduct monitoring, identify additional methods to minimize its discharge-related impacts, and to implement many of those methods.

Poseidon's desalination process would also include adding a number of chemicals to the water during desalination. The chemicals used would be those commonly used in water treatment plants, such as coagulants, alkalinity adjusters, and various membrane cleaning chemicals such as hydrochloric acid, detergents, or caustic soda. Poseidon stated in Exhibit B of its November 9, 2007 Response to Staff Report that chemicals used would be neutralized or sent to the sanitary sewer system instead of the seawater discharge. The discharge would also include biological matter – i.e., the entrained organisms from the intake.

Poseidon's project as originally proposed – that is, co-located with an operating power plant cooling water system – would have withdrawn 100 MGD of the several hundred million gallons used by the power plant, processed that water to produce 50 MGD of potable water, and discharged about 50 MGD of its high salinity waste stream back into the up to eight hundred million gallons of seawater being discharged by the power plant. Blending the desalination discharge with the much larger power plant discharge would have resulted in an overall discharge with salinity levels very close to the natural background levels in the nearshore ocean waters. Without the power plant discharge, however, ~~Poseidon's approximately 50 MGD high salinity~~ discharge of only 50 MGD would cause salinity levels twice that of seawater and cause significant adverse impacts to marine life in the nearshore waters and on the seafloor.

Mitigation measures: To address this issue, Poseidon proposes to maintain a discharge of at least 254 MGD when the power plant is not operating or is discharging less than that amount. Poseidon determined that an overall 254 MGD discharge would dilute its ~~approximately 50 MGD~~ desalination discharge so that salinity levels near the outfall would be about 40 ppt instead of 67 ppt. This 40 ppt level is about 20 percent higher than the average receiving water salinity and about 15 percent higher than the level of natural variation in local seawater salinity. Local seawater averages about 33.5 ppt and varies naturally up to about 34.4 ppt, due to phenomena such as upwellings, changes in freshwater inputs, and others. The project EIR ~~identified the 40 ppt as the level above which discharges~~ determined that a discharge of 40 ppt salinity would not cause significant adverse impacts to marine life.⁴⁸¹¹⁶ Guidance from the U.S. EPA recommends that salinity levels from a discharge should not vary more than 4 ppt from the range of natural variation in areas permanently occupied by food and habitat forming plants (e.g., kelp beds, hard bottom habitat, etc.). Using the EPA guidance would result in a maximum allowable

⁴⁸¹¹⁶ The EIR stated that elevated salinity levels would cause significant impacts if they had a substantial adverse effect on marine biota, included extended exposure to salinity levels above 40 ppt or permanent elevation of salinity levels above 38.4 ppt on hard bottom habitat.

discharge level of about 38.4 ppt in kelp beds located about 2,000 feet offshore. Poseidon's NPDES permit allows an average daily concentration of 40 ppt and an average hourly concentration of up to 44 ppt. Poseidon's hydrodynamic modeling indicated that ~~with~~ as long as the discharge concentrations remains at or below these ~~levels, concentrations, the~~ salinity ~~levels~~ in the ~~nearest~~ kelp bed ~~about 2000 feet away~~ would be well below 36.8 ppt.

Poseidon also submitted modeling results showing the expected extent of the salinity plume based on local historical data for characteristics such as ocean temperatures, currents, and salinity levels. The extent of the high salinity in the discharge would vary based on how these characteristics interact at any given time. Poseidon's models show that salinity concentrations above the level of natural variation would cover about 8.3 acres of the nearshore seafloor during average conditions (i.e., a frequency of 50%) and would cover up to about 44 acres during extreme conditions (i.e., a frequency of less than 0.1%).

The salinity range of the discharge would never exceed 40 ppt at the point of discharge, and the discharge would be rapidly diluted to near 36.5 ppt within the zone of initial dilution, which is within 1000 feet of the discharge channel. While the discharge would create conditions beyond the range experienced by the local biota ~~and would cause some level of adverse impacts.~~ Poseidon has provided test results showing that a 40 ppt salinity level would cause no acute or long term effects to several test organisms. The site-specific, peer-reviewed Comprehensive Salinity Tolerance Study completed for ~~Poseidon~~ the project by Dr. Steven Le Page and Dr. Jeffrey Graham indicates that the proposed discharge will not result in acute or chronic toxicity. The ~~site-specific~~ Study included long term (5.5 months) exposure of 18 marine species inhabiting the discharge area to a typical discharge salinity of 36 ppt. According to the project's EIR, all of the test species were chosen due to their known existence in the subject area, and several of the species (abalone, sand dollar and red sea urchin) were chosen for their susceptibility to environmental stress. (See Project EIR, at Appendix E.) Poseidon provides that the results of the 5.5 month test of exposure of the 18 species to typical discharge salinity of 36 ppt ~~showed no~~ indicate that all organisms remained healthy throughout the test period. No mortality was encountered and all species showed normal activity and feeding behavior. Poseidon further provides that additional acute and chronic toxicity studies completed subsequently for the project using the United States Environmental Protection Agency's standard whole effluent toxicity (WET) test have confirmed the validity and results of this Study.

However, in Commission staff's view, the organisms ~~used~~ studied in the Study are not representative of the full suite of marine life living in these nearshore waters and benthic habitat that would experience this level of salinity. Further, several species used in these tests are generally considered more salinity tolerant than others, so the test results likely do not reflect actual effects that would occur to species exposed to these high salinity levels in the natural environment. For example, a State Board proposal to establish a salinity limit in the state's Ocean Plan includes a proposed limit of 36.5 ppt based on study results showing that level caused adverse effects to sea urchin embryos, which is one of standard test species more

sensitive to salinity differences.^{49,117} Other studies show that slight differences in salinity levels can affect the population density of various species, their ability to tolerate various environmental stressors, reproductive rates, and other effects.^{50,118}

In addition to higher than natural levels of salinity, Poseidon's discharge would include some ~~as-of-yet~~ unknown amounts of other constituents that would enter the discharge from various materials or methods used in the proposed facility. As noted above, these include ~~various chemicals and~~ the dead organic matter from organisms entrained in the intake.

Based on the above, Poseidon's proposed discharge would likely result in salinity levels higher than the natural range in from about eight to 44 acres of nearshore benthic habitat. Although the extent of the areas would vary continually based on environmental conditions, some areas would be subject to nearly continual salinity concentrations higher than natural salinity variations.

The Regional Board studied the project's ~~anticipated~~ discharge before issuing the project's NPDES ~~permit, and determined that permitted discharge levels would comply~~ Permit (Regional Board Order No. 2006-0065). The Regional Board considered the discharge impacts of the project and conditioned all potential discharge-related impacts to ensure compliance with applicable federal Clean Water Act criteria and the California Ocean Plan's water quality objectives and beneficial use requirements. The beneficial uses of ocean waters include industrial water supply; water contact and non-contact recreation, including aesthetic enjoyment; navigation; commercial and sport fishing; mariculture; preservation and enhancement of designated areas of special biological significance; rare and endangered species; marine habitat; fish migration; and fish spawning and shellfish harvesting. The Regional Board determined that an average daily effluent limitation of 40 ~~ppt~~parts per thousand for salinity would protect ~~the Plan's identified beneficial uses. The NPDES permit~~beneficial uses of the Ocean (including protection of fish habitat) and ensure that no salinity-related toxicity effects would occur in receiving waters. The NPDES Permit also

^{49,117} The State Board is considering an amendment to the state's Ocean Plan that would establish an upper salinity limit for discharges into California's coastal waters. The Ocean Plan at this time does not have a specific salinity limit, but requires in general protection of beneficial uses and water quality objectives for other contaminants and physical water quality characteristics. In June 2007, the State Board issued a Scoping Document for its proposed policy that included three proposed alternatives: "No Action" – that is, do not add a salinity limit to the Plan; "No discharges above natural variation" – that is, limit salinity in discharges to the range of natural variation which is about 10% above average; or, "Numeric water quality objective of 36.5 ppt," based on study results showing that salinity levels above than 36.5 ppt caused adverse effects to sea urchin embryos.

^{50,118} See, for example, *Technical Report 39: San Francisco Estuary Regional Monitoring Program for Trace Substances, Result of the Benthic Pilot Study*, August 2000; and Voyer, R.A., and Glen Modica, *Influence of salinity and temperature on acute toxicity of cadmium on Mysisidopsis bahia*, in *Environmental Contamination and Toxicology*, Vol. 19:1, January 1990.

includes extensive monitoring and reporting requirements to ensure compliance with its effluent limitations.⁵⁴¹¹⁹

As noted previously, Poseidon states in its November 9, 2007 letter that the project's NPDES permit and the Regional Board's eventual ~~final~~ approval of Poseidon's *Flow, Entrainment and Impingement Minimization Plan* will ensure that the proposed facility uses all feasible measures to avoid and reduce ~~these~~any discharge-related impacts. ~~Further,~~

The Commission concurs that Poseidon's Plan will ensure that the proposed facility uses all feasible measures to avoid and reduce any discharge-related impacts, in part because the Board's approval of the project's NPDES permit, which requires such a finding, is necessary before the facility ~~can~~could operate. ~~Because the Board's final approval would include such findings and would ensure that the project's discharges conform to relevant requirements of the federal Clean Water Act and the water quality objectives of the state's Ocean Plan, the Commission therefore finds that project-related discharges result in minimal adverse effects to water quality and marine life.~~ In reliance on the Regional Board's determinations in issuing the project's NPDES Permit as is required pursuant to Coastal Act Section 30412, the Commission finds that the project's discharge is conditioned so that it will not cause adverse impacts to marine resources. The Permit, along with its extensive monitoring and reporting requirements, ensures that the project's discharge would not harm marine resources and thus would maintain marine biological productivity and resources and minimize entrainment in conformance with Coastal Act Sections 30230 and 30231.

Anticipated Project Impacts and Coastal Act Conformity – Cumulative Impacts

In addition to the adverse marine biological effects the proposed project would cause to Agua Hedionda Lagoon and the nearshore waters off of Carlsbad, the project would contribute to cumulative impacts already occurring in those waters. As noted above, Agua Hedionda Lagoon is listed as an impaired waterbody due in part to excess sedimentation. The impairment affects a number of beneficial uses of the waterbody and requires the ongoing dredging described in the next section of these Findings. ~~The~~In Commission staff's view, the sedimentation is due largely in part to the intake drawing in water from the ~~L~~Lagoon that would otherwise exit through the ~~L~~Lagoon mouth and take much of the sediment with it. The source of this sediment is the longshore sand movement off the coast of Carlsbad, and as a result of the jetties and the intake, sediment pulled into the ~~L~~Lagoon is removed from that longshore process, resulting in the need for beach nourishment that causes effects to coastal resources in the form of ongoing dredging every few years and the accompanying disruption of public access to areas of the nearby beaches. In Poseidon's view, as documented in by the Regional Board, the 303(d) listing of Agua Hedionda Lagoon as an impaired body is based on fine-grained

⁵⁴¹¹⁹ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A, at p. 12; NPDES Permit, Regional Board Order R9-2006-0065 at 12, F-18, F-37 (Attachment 1 to Poseidon Resources Corporation, *Response to California Coastal Commission's September 28, 2006 Request for Additional Information*, November 30, 2006).

sedimentation discharged by urban run-off into the Lagoon from the neighboring watersheds (predominantly Agua Hedionda Creek), impacting 6.8 acres primarily located in the east basin of the Lagoon.¹²⁰ As noted previously in Section 4.4 of these Findings, sedimentation concerns will be addressed through the Regional Board's NPDES review and through ongoing Coastal Commission permit review of future dredging proposals.

Conclusion

Regarding entrainment and impingement, Poseidon's proposed project would use 304 MGD of estuarine waters (equal to about 932 acre-feet of water per day, which over a year would cover more than 500 square miles up to one foot deep in water). This water use is, for purposes of analysis, is conservatively assumed to kill all the larval and planktonic organisms in that water, which Poseidon estimates represent about 37 acres worth of wetland and open water productivity in Agua Hedionda. Poseidon has proposed a compensatory mitigation approach to mitigate these impacts.

The assessment of the impacted area due to the desalination facility operation is based on a conservative assumption that the project will cause 100 percent mortality to the marine organisms in the seawater diverted from Agua Hedionda Lagoon. This approach to establishing the impact of the desalination plant operation is extremely conservative in that it ignores the design and technology features that have been incorporated in the proposed project. As discussed above, the project has incorporated several technology features that will substantially lessen the impacts to marine life, including: mortality will be reduced due to the lower temperature, volume, velocity and turbulence of the desalination facility's operations compared to the power plant; and only 35 percent of the seawater in the desalination plant's intake will actually enter the desalination facility and be subject to processing that could result in entrainment mortality, while the rest of the water will be returned directly to the ocean.

As noted above, the Commission has determined that alternative intakes that might avoid or minimize environmental impacts are infeasible or would cause greater environmental damage. Therefore, to ensure Poseidon provides adequate compensatory mitigation for the proposed project's marine life impacts and to conform to Coastal Act Sections 30230 and 30231, **Special Condition 8** requires Poseidon to submit to the Commission for review and approval a Marine Life Mitigation Plan. This **P**lan must document the project's expected impacts to marine life caused by entrainment and impingement and identify the types and amounts of mitigation best suited to address those impacts. It must also provide mitigation to the maximum extent feasible in the form of creation, enhancement, or restoration of aquatic and wetland habitat and must include standard mitigation measures, including acceptable performance standards, monitoring, contingency measures, and legal mechanisms to ensure permanent protection of the proposed

¹²⁰ 2006 Clean Water Act 303(d) List of Water Quality Limited Segments Requiring TMDLs, San Diego Regional Water Quality Control Board, June 28, 2007.

mitigation site(s). The coastal development permit will not be issued until the Commission approves a mitigation plan meeting these requirements. Further, to ensure the identified marine life impacts do not exceed those identified through development of this mitigation plan, **Special Condition 9** requires Poseidon to obtain an amendment of its coastal development permit before any increase in its average seawater flows of 304 MGD.

Therefore, based on the studies cited and the information provided above, the Commission finds that the project, as conditioned, conforms to Coastal Act Sections 30230 and 30231.

4.5.2 Use of Wetlands and Coastal Waters (Coastal Act Section 30233)

Coastal Act Section 30233(a) states, in relevant part:

The diking, filling, or dredging of open coastal waters, wetlands, estuaries, and lakes shall be permitted in accordance with other applicable provisions of this division, where there is no feasible less environmentally damaging alternative, and where feasible mitigation measures have been provided to minimize adverse environmental effects...

Coastal Act Section 30233(b) states:

Dredging and spoils disposal shall be planned and carried out to avoid significant disruption to marine and wildlife habitats and water circulation. Dredge spoils suitable for beach replenishment should be transported for these purposes to appropriate beaches or into suitable longshore current systems.

Coastal Act Section 30233(c) states, in relevant part:

“In addition to the other provisions of this section, diking, filling, or dredging in existing estuaries and wetlands shall maintain or enhance the functional capacity of the wetland or estuary. Any alteration of coastal wetlands identified by the Department of Fish and Game, including, but not limited to, the 19 coastal wetlands identified in its report entitled, “Acquisition Priorities for the Coastal Wetlands of California,” shall be limited to very minor incidental public facilities, restorative measures, nature study, commercial fishing facilities in Bodega Bay, and development in already developed parts of south San Diego Bay, if otherwise in accordance with this division...

Coastal Act Section 30233 requires in general that dredging in coastal wetlands and estuaries be limited to certain types of uses, that it be allowed only where there are no feasible less environmentally harmful alternatives, and that it be mitigated to the extent feasible. It also requires that dredging be implemented in a manner that avoids significant disruption to marine and wildlife habitats and to water circulation. Section 30233(c) further imposes a more limited set of allowable uses in some wetlands, including Agua Hedionda Lagoon. Because Agua Hedionda Lagoon is one of the coastal wetlands subject to the use limitations in Coastal Act

Section 30233(c), that subsection serves for this proposed project as the standard of review for allowable uses.

Description of the project's potential alteration of, and its effects on, Agua Hedionda Lagoon

Agua Hedionda Lagoon is one of 19 coastal wetlands identified in the California Department of Fish and Game report, *Acquisition Priorities for the Coastal Wetlands of California*. This report identifies high priority wetlands for acquisition, based primarily on their values for fish and wildlife habitat and threats to their continued existence as a natural resource. Areas of the ~~H~~Lagoon where the plant and animal life is especially valuable due to its special nature in the ecosystem include the Agua Hedionda Lagoon State Marine Reserve and Ecological Reserve, which cover about 180 acres extending along about a half-mile of the ~~H~~Lagoon's Inner Basin. The ~~H~~Lagoon includes extensive areas of open water habitat, eelgrass beds, and various types of wetlands, and provides significant habitat benefits to a number of species, as described previously in these Findings. These Findings also show that Poseidon ~~expects its~~ proposed use of estuary water would create adverse entrainment effects equal to the ~~loss of about~~ reduced productivity of no more than 37 acres of Agua Hedionda's wetland and open water areas. ~~As noted above, Poseidon's proposed water use and the resulting adverse effects would be an alteration of Agua Hedionda subject to review under Coastal Act Section 30233(e).~~

Agua Hedionda Lagoon as it currently exists is a highly engineered coastal lagoon. During the past half-century of power plant operations, the power plant's cooling water intake created an imbalance between tidal inflow and outflow, resulting in more sediment entering the estuary than leaving. Agua Hedionda Lagoon is on the state's list of impaired waterbodies due to high rates of sedimentation, which are caused ~~in part~~ primarily by fine-grained sedimentation discharged by urban ~~runoff~~ run-off into the ~~H~~Lagoon and in part by the power plant's intake, which would continue due to Poseidon's proposed use of the intake. As an existing coastal-dependent industrial facility operating in the ~~H~~Lagoon since the mid 1950s, the power plant has dredged its cooling water intake channel at least 25 times over the last half-century.⁵²121 Since 1954, dredging is estimated to have removed about eleven million cubic yards of material from the ~~lagoon~~ Lagoon.

Starting in 1977, the Commission has issued a number of coastal development permits to allow various amounts of dredging for one-year or multiple-year periods. During Commission review of the last several permits, there was considerable debate about where to deposit the dredged spoils. Much of the material was sand suitable for being placed on beaches and used for recreation; however, it was believed that material placed on some of the nearby beaches, particularly those to the north of the ~~H~~Lagoon mouth where recreational benefits were higher,

⁵²121 Poseidon's proposed project would be a new, rather than an existing, facility, and with the pending power plant shutdown, would result in new dredging-related impacts not necessary to maintain operations of an existing facility.

would be quickly transported by tide and currents back into the HLagoon where it would need to be dredged again.

The Commission required that some material be placed at various beaches in and near the HLagoon where it would serve a recreational purpose; however, the Commission also required the power plant owner to pay for an independent study to assess sediment transport conditions along the ocean shoreline in and near Agua Hedionda.⁵³¹²² That 1999 study found that, on average, about 80% of the sand trapped within the HLagoon comes from longshore transport from north and the rest comes from the south. It recommended that most of the dredged spoils be placed to the south of the HLagoon to reduce the need for “re-dredging” the same material. At about the same time, the San Diego Association of Governments (SANDAG) was implementing another program to increase the amount of sand on nearby beaches with a focus on providing sand to enhance recreational uses of beaches to the north (See CDP 6-06-061).

Based in part on the results of the 1999 study, and in an effort to reduce the need for dredging within the HLagoon, the power plant owner in 2001 requested that the State Lands Commission allow a 200-foot extension of the north inlet jetty to reduce the amount of sand entering the HLagoon. The State Lands Commission conducted environmental review of the proposal and published in January 2005 a Draft EIR that provided a comprehensive and independent assessment of the effects caused by dredging in Agua Hedionda.¹²³ [As detailed below, Poseidon disagrees that the State Lands Commission Draft EIR \(Draft EIR\) comprehensively analyzed dredging impacts.](#) It evaluated not only the proposed jetty extension and associated dredging, but also assessed how best to meet related objectives, including:

- Mitigating the expected cumulative sedimentation impacts to the HLagoon that would result from implementing the SANDAG Regional Beach Sand Project;
- Maintaining the longshore sediment transport process and increasing the amount of sand that bypasses the HLagoon and is made available to downcoast beaches;
- Minimizing potential adverse effects on biological resources; and,
- Limiting the frequency of needed maintenance dredging in the HLagoon.

The Draft EIR evaluated five alternatives and concluded that the environmentally superior alternative would be to significantly reduce the need for dredging within the HLagoon by moving the power plant’s intake offshore. The Draft EIR found that by ending the power plant’s estuarine water withdrawals, this alternative would avoid the significant adverse impacts identified for the proposed project related to aesthetic resources, recreation, hydrology, water quality, and biological resources. It also found that maintenance dredging of about 20,000 cubic yards per year from near the HLagoon’s mouth would be adequate to maintain tidal flows in the HLagoon, which would help continue the HLagoon’s other existing beneficial uses. This

⁵³¹²² Elwany, Dr. Hany. *Study of Sediment Transport Conditions in the Vicinity of the Agua Hedionda Lagoon*, 1999.

alternative would also allow for at least partial removal of the jetties to re-establish a more natural longshore transport system. However, the State Lands Commission did not certify a Final EIR because the power plant owner withdrew its application request shortly after the ~~d~~Draft EIR was published in February 2005. As noted in Section 4.5.1 of these Findings, the Commission has determined that alternative intake locations, including an ~~offshore~~off-shore open intake ~~described by Poseidon~~, would be infeasible.

Additionally, Poseidon has noted that this Draft EIR was withdrawn by the applicant prior to public review and comment and that the analysis of the offshore intake in the Draft EIR is minimal and would probably not pass peer review. While its ~~E~~Executive Ssummary gives five paragraphs of discussion about the environmentally preferred alternative, the Draft EIR elsewhere includes just two paragraphs providing further description: one paragraph on page 3-6 that describes it as 30 foot diameter, 3,000-foot-long pipeline with an offshore intake structure placed at an ocean depth of 30 feet; and a second paragraph in the Hydrology and Water Quality Section on page 4.2-20 that acknowledges its construction would disturb the ocean bottom and increase turbidity. ~~The Draft EIR does not reference more detailed~~There are no references anywhere in the text of the Draft EIR to more detailed studies about the environmentally preferred alternative, and inspection of the reference list in Section 8.0 reveals no reports having anything about offshore intakes in the titles. Thus, Poseidon ~~believes~~states, there are clearly inadequacies with the Draft EIR ~~would be inadequate to serve as the basis for a stand alone~~documentation of this alternative that preclude it from being applied to a stand alone desalination facility at Agua Hedionda. Poseidon evaluated the Draft EIR and concluded that it does not analyze the full extent of the biological impacts of installing a large diameter pipe 1000 feet offshore, which depending on placement, would potentially destroy existing rocky reef outcroppings occurring offshore.⁵⁴¹²⁴ In addition, the Draft EIR did not evaluate the down coast effects of an intake structure on habitat, sand flow, or sedimentation.⁵⁵¹²⁵

Further, the Draft EIR did not adequately evaluate entrainment and impingement impacts of an offshore intake. In their analysis, Graham, Le Page and Mayer point out that an offshore intake has the potential to affect a greater diversity of adult and juvenile organisms as well as both phyto and zooplankton species than the species currently impacted by EPS's existing intake.¹²⁶ The biofouling community of organisms that will take up residence in the intake pipe will consume virtually all of the entrained plankton. According to the analysis, this has negative implications for the survival potential of organisms that can survive passage through the EPS.

The impact of an offshore intake takes on even greater significance when considered in the context of stand-alone operation of the project. Operating stand-alone, the project will

⁵⁴¹²⁴ See *Issues Related to the Use of the Agua Hedionda Inlet Jetty Extension EIR to Recommend An Alternative Seawater Intake for the Carlsbad Desalination Project*, Graham, Le Page and Mayer, October 8, 2007.

⁵⁵¹²⁵ See *id.*

¹²⁶ *Id.*

draw far less water than EPS and two-thirds of the drawn volume would function for dilution of the concentrated desalinated stream and would not be otherwise affected during its circulation through the plant, an offshore intake and conduit, and the cropping mortality associated with this could have significantly greater entrainment and impingement effects than the present intake located in the Lagoon.¹²⁷

In 2006, Poseidon provided a technical paper authored by Dr. Scott Jenkins and Joseph Wasyl that modeled expected differences in sand influx into Agua Hedionda under two scenarios – with the power plant operating at 530 MGD (the average from 1981 until 2000), and with the desalination facility operating at 304 MGD.⁵⁶¹²⁸ It found that stand-alone desalination operations at 304 MGD would reduce sand influx by 42.5% compared to the influx caused by the power plant during those years. The paper found that during those years, power plant operations resulted in a cumulative total of about three million cubic yards of sediment staying in the Lagoon (an average of about 159,000 cubic yards per year). Had the desalination facility been operating during those years at 304 MGD, the paper estimated sand influx would have been just over two million cubic yards (or about 106,000 cubic yards annually).⁵⁷¹²⁹

More recently, Poseidon provided another technical paper⁵⁸¹³⁰ that modeled another two scenarios – the expected difference in sand influx into the Lagoon with a stand-alone desalination plant using 304 MGD versus complete cessation of the intake use. Using similar assumptions as the previous paper, this paper concluded that had there been no flow of water from the Lagoon to the power plant during the same 1981-2000 period, the net sand influx would have been about 1.7 million cubic yards, or about 316,000 cubic yards less than ~~that~~the amount that would have been caused by a stand-alone 304 MGD desalination facility. The paper also concluded that the difference between sand influx caused by historic power plant operations and influx that would have been caused solely by desalination operations would have reduced the need to dredge from an average of every two years (which had been the pattern for the power plant during that time period) to every three years. The paper also concluded that the difference in sand influx between stand-alone desalination operations and “no flow” – i.e., about 316,000 cubic yards total, or about 16,000 cubic yards per year – would have resulted in no discernable difference between having a desalination facility use water from the Lagoon and not having this water use.

¹²⁷ Id.

⁵⁶¹²⁸ Jenkins, Dr. Scott, and Joseph Wasyl. *Coastal Processes Effects of Reduced Intake Flows at Agua Hedionda Lagoon*, December 2006.

⁵⁷¹²⁹ These figures assume a 14.7% “backpassing” rate to reflect sand dredged from the lagoon and deposited on nearby beaches so that it returns to the lagoon.

⁵⁸ ~~Jenkins, Dr. Scott, and Joseph Wasyl.~~¹³⁰ Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon : Low- Flow vs. No-Flow Alternatives. Dr. Scott Jenkins, September 28, 2007.

~~While it is clear that continued use of the intake will require some level of dredging, it is unclear at this time how much dredging will be needed and whether dredging would be done just to ensure the intake channel remains open or would also be done to protect or enhance other lagoon functions. Further, it is expected that the power plant owner, rather than Poseidon, would be responsible for dredging during the next several years while the existing power plant continues to use its once-through cooling system. To address these uncertainties, **Special Condition 12** clarifies that the Commission’s approval at this time does not authorize Poseidon to conduct any dredging and that future proposed dredging activities will require submittal of new coastal development permit applications for the Commission’s further review and approval. However, Poseidon’s proposed withdrawal of approximately 304 MGD of estuarine water and the resulting loss of marine life and estuarine productivity caused by entrainment represent an alteration to Agua Hedionda subject to review pursuant to Coastal Act Section 30233(c).~~

Analysis of Conformity to Coastal Act Section 30233(c)

~~Coastal Act Section 30233(c) establishes that alterations to certain wetlands included in the report, *Acquisition Priorities for the Coastal Wetlands of California*, must be limited to “...very minor incidental public facilities, restorative measures, nature study, commercial fishing facilities in Bodega Bay, and development in already developed parts of south San Diego Bay...”. The report lists 19 of California’s most productive coastal wetlands, which include Agua Hedionda.~~

~~The proposed project would alter these wetlands in a manner not allowed by Section 30233(c). As stated in Section 30233(c), the allowable activities in Agua Hedionda are “very minor incidental public facilities, restorative measures, [and] nature study...”. The project’s proposed development activity—i.e., alteration in the form of removal and use of about 304 MGD of estuarine water for desalination that results in a loss of estuarine productivity equal to about 37 acres of the lagoon, along with other lost biological functions and associated adverse impacts—is not for a “very minor incidental public facility,” and is not a restorative measure or nature study. Further, although not currently proposed, dredging is expected to be necessary in the future to allow the facility to use water from the lagoon, and this alteration would also be subject to review under Section 30233(c) (see below). Therefore, the project’s proposed use of these wetlands does not conform to this section of the Coastal Act.⁵⁹~~

⁵⁹ Past Commission decisions have interpreted “minor” and “incidental” activities as those that are temporary in nature and for which no alternatives exist. For example, in a recent decision approving the placement of pilings within Agua Hedionda Lagoon to support an existing rail line (Consistency Certification #CC 52-05), the Commission found that determining whether to allow an “incidental” public use under Section 30233(c) should also consider whether there are feasible alternatives to the proposed wetland use. The Commission approved the project in part because there were no alternatives, because the project would not affect the functional capacity of the lagoon, and because it did not increase the capacity of the rail line.

In another example, the Court of Appeal recognized the Commission’s approach as a permissible interpretation of the Coastal Act and supported the Commission’s interpretation of “incidental” public service. In the case of *Bolsa*

~~The Commission further notes that Section 30233(c) does not allow other uses in exchange for offsetting mitigation; therefore, the mitigation Poseidon has offered for its entrainment impacts does not provide the needed conformity to this section.~~

~~However, because the proposed project would be considered a “coastal dependent” industrial facility, the Commission may evaluate it under Coastal Act Section 30260, which allows such projects to be approved in some instances even when they are found to be inconsistent with other Coastal Act provisions. The analysis and findings related to Section 30260 are in Section 4.5.7 of these Findings.~~

~~Additional evaluation of the proposed project’s dredging component~~

~~Coastal Act Section 30233 also includes other provisions that are applicable to projects involving fill or dredging. These include Section 30233(a), which imposes a three part test to determine whether proposed dredging is for an acceptable use, whether there are feasible and less damaging alternatives, and if feasible mitigation measures are included to minimize adverse environmental effects. Additionally, Coastal Act Section 30233(b) requires dredging and spoils disposal be implemented in a manner that avoids significant disruption to habitat and water circulation. Further, Coastal Act Section 30233(c), in addition to the use limitations noted above, includes a provision that dredging maintain or enhance the functional capacity of wetlands or estuaries. However, with the Commission’s imposition of **Special Condition 12** requiring Poseidon to submit separate coastal development permit applications for any proposed future dredging, the project as currently reviewed does not include dredging activities that would be subject to these provisions. Further, as noted above, there is substantial uncertainty about how much dredging Poseidon would be required to perform, where the dredging would occur, its effects, and the mitigation needed to address those effects. It is therefore appropriate to conduct the necessary review for Coastal Act conformity when these aspects of any needed dredging are better known. At that time, proposed dredging activities would be reviewed to determine their conformity to applicable Coastal Act provisions.~~

Poseidon further contends that ~~its proposed~~ dredging of the ~~lagoon would be~~ Lagoon is a permitted use under Coastal Act Section ~~30233. It states~~ 30233 that ~~its dredging would~~ will serve to benefit the Lagoon and the marine resources, scientific research, fishing, public access and

Chica Land Trust et al., v. The Superior Court of San Diego County (1999) 71 Cal.App.4th 493, 517, the court found that:

... we accept Commission’s interpretation of sections 30233 and 30240... In particular we note that under Commission’s interpretation, incidental public services are limited to temporary disruptions and do not usually include permanent roadway expansions. Roadway expansions are permitted only when no other alternative exists and the expansion is necessary to maintain existing traffic capacity.

As noted above, Poseidon’s proposed dredging would not be temporary, as it would occur every three or four years for 30 to 90 years.

recreational activities that rely on the ~~lagoon.~~⁶⁰ Lagoon. In order to protect the Lagoon in its current state. Poseidon ~~further~~ contends that there is no feasible alternative to ~~its proposed~~ dredging and that dredging is a project benefit that is fully consistent with the Coastal Act. ~~It states that the~~ The Commission has approved dredging of the Lagoon on at least 17 separate occasions since 1977, most recently in November 2006 (see CDP 6-06-061), ~~and on each occasion the Commission has found dredging to be fully consistent with the Coastal Act as a permitted use under Coastal Act Section 30233.~~ Poseidon further ~~contends~~^{notes} that, because Cabrillo Power, the owner of the EPS, currently dredges the Lagoon on a routine basis and has done so for the past fifty years, the existing environmental baseline from which the Commission must review the project is an environment in which dredging occurs routinely.⁶⁺¹³¹ Poseidon states that it would voluntarily take over this responsibility if, at some point in the future, the EPS were to shut down and Poseidon would do nothing to change this existing dredging activity other than reduce the frequency of the dredge cycle as described in Dr. Scott Jenkin's report, Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon: Low-Flow vs. No-Flow Alternatives, September 28, 2007.

Poseidon ~~further contends that routine~~ provided information that the Lagoon is an important location for recreation, fishing, and aquaculture. The City of Carlsbad issues about 400 recreational permits for the Lagoon per year, and data from CDFG indicate that the Lagoon attracts 79% of the local recreational fishing. The Lagoon also supports an extensive aquaculture operation, the Hubbs Seaworld White Sea Bass Fish Hatchery, and youth camps operated by California Water Sports and the YMCA. Routine dredging is required to maintain the Lagoon in its current state and prevent it from reverting to its original state—; a slough comprised of shallow marsh channels filled with anaerobic hyper-saline water—~~and that the.~~ The recreational, fishing, and aquaculture activities would halt if the EPS shut down and Poseidon did not volunteer to continue maintenance dredging of the Lagoon.¹³²
~~Poseidon also contends~~

In addition to maintaining the Lagoon itself, dredging provides the additional public benefit of providing sand to maintain Carlsbad State Beach, grunion spawning habitat, and a popular surfing break. Without the necessary quantities of sand, the beach would revert to its historic cobblestone condition, grunion spawning would cease, the surfing break would be substantially reduced, and the quality of the waves would diminish.¹³³

Poseidon's position is that, under site-specific facts at Agua Hedionda, dredging offers myriad public and environmental benefits and is thus an allowable use under Coastal Act

⁶⁰ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at p. 25.

⁶⁺¹³¹ See, e.g., *Fat v. County of Sacramento*, 97 Cal. App. 4th 1270 (2002) (environmental baseline consists of environmental conditions as they exist prior to the commencement of environmental review of the project).

¹³² See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at p. 25.

¹³³ See *id.* at pp. 25-26.

Section(s) 30233(a)(1) [new coastal-dependent facilities], 30233(a)(2) [maintaining existing, or restoring previously dredged depths], 30233(a)(7) [restoration purposes], 30233(a)(8) [nature study, aquaculture, or other similar resource dependent activities], 30220 [protection of water-oriented recreational activities], 30224 [recreational boating use of coastal waters], 30222.5 [coastal dependant aquaculture], 30210 [enhancing opportunities for public access], 30223 [dedication of upland area to support coastal recreational uses], 30255 [priority coastal dependent development, 30230 [preservation of marine resources], and/or Section 30233(c) [minor incidental public facilities (which the Commission deemed operation of EPS in approving CDP 6-06-061); restorative measures, and nature study]. Because one of Poseidon’s project objectives is “to increase opportunities for public access to the coastal area through public enhancements and dedications of coastal property,”¹³⁴ Poseidon has proposed Lagoon-front property dedications for coastal access, fishing and recreation in furtherance of this objective. Without dredging the Lagoon will revert back to its natural state of “stinky water” and Poseidon would not be able to meet this objective.¹³⁵

Poseidon states that, while dredging may have minimal short-term environmental impacts, the long-term environmental benefits that dredging provides, including protecting the valuable Lagoon in its current state, far outweigh the minimal short term impacts.⁶²¹³⁶ Poseidon relies on *Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon: Low-Flow vs. No-Flow Alternatives*, Jenkins and Wasyl, September 28, 2007, to demonstrate that there is no alternative to dredging to protect the Lagoon from returning to “stinky water.” In the absence of Poseidon’s operations and its assumption of the responsibility for maintenance dredging and stewardship of the Lagoon after the Encina power station is decommissioned, Lagoon sedimentation from urban run-off will result in closure of the Lagoon in five to seven years, and nearly complete loss of existing beneficial uses thereafter.⁶³¹³⁷ ~~Poseidon believes~~ **its**The project will therefore enhance marine habitat because it will preserve the Lagoon for both existing organisms and current recreational, fishing and aquaculture activities.

~~For several reasons, however, the Commission does not concur. Poseidon does not own or control lagoon areas subject to dredging or the various activities described above. Cabrillo, the power plant owner, owns the lagoon, including the underlying aquatic lands, and has stated it intends to continue its dredging and maintenance activities for the foreseeable future. It is therefore not apparent that Poseidon would be able to conduct dredging without permission from~~

¹³⁴ Project EIR at 3-31.

¹³⁵ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at p. 26.

⁶²¹³⁶ See *Sierra Club v. California Coastal Commission*, 19 Cal. App. 4th 547, 562 (4th Dist. 1994) (finding that “the Commission has the power in particular cases to permit significant short-term disruption [from dredging] in order to provide long-term benefits [to coastal resources]” under Coastal Act Section 30233.)

⁶³¹³⁷ *Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon*; ~~Low Flow vs. No-Flow Alternatives~~, Dr. Scott Jenkins, September 28, 2007.

~~Cabrillo and approval from the State Lands Commission, and the Commission is not aware of such any agreements or approvals that could be incorporated into these Findings or **Special Conditions**.⁶⁴ The Commission also notes that the original power plant owner dredged the lagoon and started operating in the 1950s, well before adoption of the Coastal Act, and that Poseidon's proposal would represent a new use of the lagoon. The Commission notes, too, that it approved previous power plant related dredging activities on a case-by-case basis by reviewing detailed dredging proposals provided by the power plant owners and making findings on those specific proposals. Poseidon has not yet proposed or submitted a detailed dredging plan that describes how it would conduct dredging or how it would maintain these lagoon functions and activities. Such a plan would not only require landowner approval and other regulatory approvals, but would require detailed analyses of the amounts and locations of dredging needed to maintain the water intake channel, additional dredging that may be needed to maintain these various functions and activities, and further analyses to determine whether there are feasible and less environmentally damaging alternatives to dredging for both the intake and the other functions. Additionally, Cabrillo's existing State Lands Commission lease for the lagoon inlet structure on state tidelands is limited to use for power plant operations only and would require modification to allow Poseidon's proposed use or subsequent dredging in areas subject to State Lands Commission jurisdiction. It would therefore be speculative for the Commission at this time to concur with Poseidon's contentions, and the Commission is therefore requiring these issues be appropriately addressed through **Special Condition 12**, which will ensure the Commission has the opportunity in the future to determine whether proposed dredging activities conform to applicable Coastal Act provisions.~~

The Commission finds that, based on the evidence that has been submitted, it is clear that continued use of the intake will require some level of dredging but that the project will require no more frequent dredging than has been the case under the power plant's operations. Poseidon has submitted evidence that from 1981 to the present, the average dredging frequency of the Lagoon was approximately every two years.¹³⁸ For the stand-alone desalination facility, the dredging frequency would be reduced to approximately every three years.¹³⁹ It is expected that the power plant owner, rather than Poseidon, would be responsible for dredging during the next several years while the existing power plant continues to use its once-through cooling system. To address any uncertainties associated with the timing or frequency of dredging, Special Condition 12 clarifies that the Commission's approval at this time does not authorize Poseidon to conduct any dredging and that future proposed dredging activities will require submittal of new coastal development permit applications for the Commission's further review and approval. Thus, with the Commission's imposition of Special Condition 12 requiring Poseidon to submit

⁶⁴ As Described previously, Coastal Act Section 30601.5 requires in part that an applicant demonstrate, prior to issuance of a coastal development permit, its ability to comply with all conditions of approval.

¹³⁸ Id.

¹³⁹ Id.

separate coastal development permit applications for any proposed future dredging, the current project does not include activities that would be subject to Coastal Act Section 30233.

Additional evaluation of the proposed project's dredging component

Coastal Act Section 30233 includes several other provisions that are applicable to projects involving fill or dredging. These include Section 30233(a), which imposes a three-part test to determine whether proposed dredging is for an acceptable use, whether there are feasible and less damaging alternatives, and if feasible mitigation measures are included to minimize adverse environmental effects. Additionally, Coastal Act Section 30233(b) requires dredging and spoils disposal be implemented in a manner that avoids significant disruption to habitat and water circulation. Further, Coastal Act Section 30233(c) includes a provision that dredging maintain or enhance the functional capacity of wetlands or estuaries. However, with the Commission's imposition of Special Condition 12 requiring Poseidon to submit separate coastal development permit applications for any proposed future dredging, the current project does not include activities that would be subject to these provisions.

Conclusion

~~The proposed project would represent a use and alteration of the Agua Hedionda wetlands not permitted by~~ Commission finds that the imposition of project Special Condition 12 ensures that the Applicant will apply for a new, separate CDP for any future dredging projects that it initiates. Because the CDP for the proposed project, CDP No. E-06-013, does not authorize and dredging of the Lagoon, Coastal Act Section 30233(e); ~~therefore, based on the studies cited and the information provided above, the Commission finds that the project as proposed does not conform to this Coastal Act provision. However~~ does not apply to the project. In addition, because the proposed project would be considered a "coastal-dependent" industrial facility, the Commission may ~~therefore~~ also evaluate it under Coastal Act Section 30260, which allows such projects to be approved in some instances even when they are found to be inconsistent with other Coastal Act provisions. Although the project is found to be consistent with Section 30233, the Commission also notes that the project can be assessed under Section 30260. The analysis and findings related to Section 30260 are in Section 4.5.7 of these Findings.

4.5.3 Public Access

Coastal Act Section 30210 states:

In carrying out the requirement of Section 4 of Article X of the California Constitution, maximum access, which shall be conspicuously posted, and recreational opportunities shall be provided for all the people consistent with public safety needs and the need to protect public rights, rights of private property owners, and natural resource areas from overuse.

Coastal Act Section 30211 states:

Development shall not interfere with the public's right of access to the sea where acquired through use or legislative authorization, including, but not limited to, the use of dry sand and rocky coastal beaches to the first line of terrestrial vegetation.

Coastal Act Section 30212(a) states:

Public access from the nearest public roadway to the shoreline and along the coast shall be provided in new development projects except where (1) it is inconsistent with public safety, military security needs, or the protection of fragile coastal resources, (2) adequate access exists nearby, or (3) agriculture would be adversely affected. Dedicated accessway shall not be required to be opened to public use until a public agency or private association agrees to accept responsibility for maintenance and liability of the accessway.

Coastal Act Section 30212.5 states:

Wherever appropriate and feasible, public facilities, including parking areas or facilities, shall be distributed throughout an area so as to mitigate against the impacts, social and otherwise, of overcrowding or overuse by the public of any single area.

Coastal Act Section 30213 states, in relevant part:

Lower cost visitor and recreational facilities shall be protected, encouraged, and, where feasible, provided. Developments providing public recreational opportunities are preferred...

The proposed project would be built largely on a site already occupied by industrial uses and would not ~~at that location~~ affect public access to the shoreline at ~~this~~ that location. The project also includes constructing pipelines under roads within the coastal zone, although the pipeline construction would be similar to other road construction projects and its temporary impacts would likely not result in adverse effects on public access to the shoreline.

The project's proposed use of estuarine water from Agua Hedionda Lagoon, and its reliance on intake jetties and a discharge structure on State tidelands would affect public access by limiting accessibility to those areas. However, as noted previously in these Findings, no feasible alternatives exist that would allow cessation of use of these structures. Further, the project would require ongoing dredging within the ~~L~~agoon and deposition of the dredged spoils (which would be subject to subsequent submittal of coastal development permit applications and Coastal Commission review), which will allow for beach nourishment along nearby beaches. While these activities would cause temporary disruptions to public access, they would have a long-term public benefit by adding sand to the beach. The alternatives determined by the Commission to

be infeasible would cause impacts to public access during construction and possibly during operations.

To address the public access impacts of its project as proposed, Poseidon has offered to dedicate to the City of Carlsbad the following sites to be used for public access:

- A site of about two acres, known as the Hubbs Site, on the north side of the ~~L~~Lagoon's Outer Basin that would include a trail system and expansion of the existing fish hatchery and aquatic research uses;
- A site of about ~~42.4~~2.4 acres on the west shore of the ~~L~~Lagoon's Outer Basin to be used as a fishing beach;
- A site of about 10.2 acres of bluffs west of the power plant site and adjacent to the shoreline to be used for recreation and coastal access; and,
- A parking area covering about 0.3 acres at the south end of the power plant for public parking.

These sites total about 15 acres, and are described in more detail in the City's precise development permit for the project, and Poseidon's coastal development permit application submittals. To ensure these sites are made available for public use, **Special Condition #11** requires that, prior to starting operations of the desalination facility, Poseidon ensure these parcels are dedicated for public access and recreation as described in the City's Precise Development Plan #PDP 00-02. These public access dedications provide adequate conformity to the Coastal Act's public access provisions.

Conclusion

Based on the above, the Commission finds that the project as conditioned conforms to the Coastal Act's public access provisions.

4.5.4 Scenic and Visual Resources

Coastal Act Section 30251 states:

The scenic and visual qualities of coastal areas shall be considered and protected as a resource of public importance. Permitted development shall be sited and designed to protect views to and along the ocean and scenic coastal areas, to minimize the alteration of natural land forms, to be visually compatible with the character of surrounding areas, and, where feasible, to restore and enhance visual quality in visually degraded areas. New development in highly scenic areas such as those designated in the California Coastline Preservation and Recreation Plan prepared by the Department of Parks and Recreation and by local government shall be subordinate to the character of its setting.

The proposed project would be built largely within the existing developed area of the Encina power plant. The desalination facility site is currently occupied by large oil tanks that are no longer in use and that have been proposed for demolition. The desalination facility would create less of a visual impact than the currently existing tanks.

Poseidon's project plans include a number of measures to minimize any adverse visual effects of the proposed facility. The facility would be a relatively low profile building of about 44,000 square feet and reaching about 35 feet above the existing grade. Its appearance would be similar to a large warehouse. As part of the facility design, Poseidon has added both vegetative and architectural screening to ensure that exposed pipelines, tanks, and other industrial-type equipment are screened from public view.

The Commission additionally considered several intake alternatives, including slant wells and an intake gallery, and ~~has determined~~ concluded that they are environmentally inferior to the proposed project and that they could create additional adverse visual impacts due to ~~their potential~~ the development of structures on the beach. ~~According to Poseidon's presentations, the~~ Each of the alternatives would require development of permanent structures on the beach that would result in a permanent impact to visual resources. The slant well alternative ~~could~~ would require between 20 and 200 beach wells along a two mile stretch of coast, and associated access roads, parking, pipelines and electrical supply.⁶⁵¹⁴⁰ The intake gallery alternative ~~could~~ would require ~~up to~~ 78 beach wells, ~~which could result in a loss of some area of beach.~~⁶⁶ each of which would require approximately 2,800 square feet of beachfront property, for a combined loss of seven acres of beachfront property.¹⁴¹ Construction of the intake gallery alternative ~~could~~ would also require trenches for collection piping and ~~could~~ would limit access to the beach for a period of 2 to 4 years, and ~~could~~ would require the creation of permanent access ramps from the Pacific Coast Highway to the beach to transport equipment during construction and to permit well inspection during the life of the wells.⁶⁷¹⁴² Therefore, ~~pursuant to these presentations,~~ the proposed project ~~would be~~ is the environmentally superior alternative.

To ensure the facility conforms to the Coastal Act's scenic and visual resource policies, **Special Conditions 13 and 14** require Poseidon to submit, prior to starting construction, a Screening Plan and a Lighting Plan showing the planned appearance of the facility. The plans must describe how Poseidon will screen the facility's industrial and mechanical equipment and how the facility and surrounding area will be lighted to provide the necessary level of safety and security while minimizing offsite glare and other adverse affects. Both plans must be submitted to the Executive Director for review and approval before construction can begin.

⁶⁵¹⁴⁰ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. B at p. 16.

⁶⁶¹⁴¹ *Id.* at 17-19.

⁶⁷¹⁴² See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at pp. 17-18.

Conclusion

Based on the above, the Commission finds that the project, as conditioned, will conform to the Coastal Act's scenic and visual resource provisions.

4.5.5 Energy Use and Greenhouse Gas Emissions (Coastal Act Section 30253(4))

Coastal Act Section 30253(4) states:

New development shall: ... (4) Minimize energy consumption and vehicle miles traveled.

Section 30253(4)'s requirement to minimize energy consumption reduces impacts to coastal resources caused by greenhouse gas emissions. Most of the electricity Poseidon would use would be produced by natural gas-fired power plants, with some produced by coal, hydroelectric, or renewable sources. According to methods developed by the California Climate Action Registry (CCAR), Poseidon's proposed electrical use would result in ~~approximately~~no less than 200,000,000 pounds (~~about~~ 90,000 metric tonnes) of carbon dioxide emissions per year.^{68,143} ~~Poseidon has stated, however, that it believes~~In response to the Commission's September 28, 2006 Request for Additional Information, Poseidon submitted a study on October 9, 2007 that indicates its net emissions will be substantially lower, about 134,400,000 pounds (~~about~~ 60,00061,000 metric tonnes) per year.¹⁴⁴ The difference between the Commission's conclusion and Poseidon's estimate is further described below.

Note: The anticipated emissions described herein, in the Commission staff's view, likely represent the very low end of the range of actual greenhouse gas contributions Poseidon would generate. These analyses evaluate only those carbon emissions that would be generated by Poseidon's electrical use for pumping and desalinating water and transporting it to Maerke Reservoir, and do not include emissions that would result from project construction, manufacture of reverse osmosis membranes, dredging needed to maintain the intake channel, etc. Also, they include only carbon dioxide emissions, not

^{68,143} Protocols developed by the California Climate Action Registry estimate carbon dioxide emissions from California's electricity sources total 804.54 pounds per megawatt-hour. Poseidon's expected electrical use of about 250,000 megawatt-hours per year would therefore total just over 200,000,000 pounds of carbon dioxide. These calculations are described in more detail below.

For comparison, 200,000,000 pounds of carbon dioxide is about the same amount produced during 235 million vehicle miles traveled or is the amount of carbon stored each year in 75,000 acres of growing forest (see the U.S. EPA and U.S. Agency for International Development *Climate Technology Gateway* at www.usctgateway.net).

¹⁴⁴ See Poseidon Resources Corporation, Updated Response to Coastal Commission's September 28, 2006 Request for Additional Information, Section 13, CDP Energy Use, GHG Production & Mitigation, October 9, 2007; see also Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. D (Climate Action Plan).

emissions of other greenhouse gases generated by power plants. ~~The Commission staff's~~ analyses also credit Poseidon with emission reductions that may occur through its potential use of a high-efficiency energy recovery device that is still being tested and that Poseidon has not yet committed to use.

~~Emissions~~ Commission staff contends that emissions from this facility's electrical use would be greater than those created by other water sources and would contribute to California's greenhouse gas emissions. ~~They would also~~ Commission staff also contends that these emissions would cause significant adverse effects to many coastal resources the Coastal Act is meant to protect. The global heating, sea level rise, and ocean acidification resulting from greenhouse gas emissions affects public access (Coastal Act Sections 30210-30214), recreation (Sections 30212.5, 30213, 30220-30222), marine resources (Sections 30230-30231), wetlands (Sections 30231, 30233), ESHA (Section 30240), agriculture (Sections 30241-30242), natural land forms (30251), and existing development (Sections 30235, 30253).

Poseidon's position is that it shares the Governor's commitment to address climate change, but disagrees with Commission staff that the project will be a contributing factor to climate change for several reasons: the project is consistent with its proposed Climate Action Plan, which will actually result in a reduction in regional greenhouse gas emissions, and the project includes numerous components to ensure that it will utilize only the minimum energy necessary.¹⁴⁵ Moreover, Poseidon maintains that the Commission's authority to impose greenhouse gas emission standards or emissions-related mitigation is limited.¹⁴⁶ Due to the importance of the project and Poseidon's stewardship of the environment, Poseidon has voluntarily proposed a precedent-setting Climate Action Plan pursuant to which Poseidon commits to measures to offset the project's minimal net carbon emissions so that the project is net carbon neutral.¹⁴⁷

The Commission may assure compliance with CARB and air pollution control district requirements:

The State Air Resources Board and air pollution control districts established pursuant to state law and consistent with requirements of federal law are the principal public agencies responsible for the establishment of ambient air quality and emission standards and air pollution control programs. The provisions of this division do not authorize the commission or any local government to establish any ambient air quality standard or emission standard, air pollution control program or facility, or to modify any ambient air quality standard, emission standard, or air

¹⁴⁵ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at pp. 20-21

¹⁴⁶ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at pp. 20-25

¹⁴⁷ See id.

pollution control program or facility which has been established by the state board or by an air pollution control district.

Coastal Act § 30414(a).

With regard to greenhouse gas emissions specifically, Assembly Bill 32, the California Global Warming Solutions Act of 2006, establishes a new air pollution control program that clearly places the authority to regulate and control greenhouse gas emissions, and to protect coastal resources from greenhouse gas emissions-related impacts, with CARB:

Global warming poses a serious threat to the economic well-being, public health, natural resources, and the environment of California. The potential adverse impacts of global warming include . . . a rise in sea levels resulting in displacement of thousands of coastal businesses and residences, damage to marine ecosystems and the natural environment . . .

The State Air Resources Board is the state agency charged with monitoring and regulating sources of emissions of greenhouse gases that cause global warming in order to reduce emissions of greenhouse gases

Cal. Health & Safety Code §§ 38501(a), 38510 (emphasis added). Though primary jurisdiction over air quality and greenhouse gases rests with CARB, Poseidon is willing to address the Commission staff’s concerns with a voluntary Climate Action Plan. CARB has the option to “recommend ways in which actions of the commission or any local government can complement or assist in the implementation of established air quality programs,” but CARB has not imposed any greenhouse gas emission requirements applicable to the proposed project, nor has it requested that the Commission assist it in implementing greenhouse gas emissions-based standards or mitigation. There are no existing CARB promulgated greenhouse gas emissions standards that would apply to the project.

Due to the importance of the project and Poseidon’s stewardship of the environment, Poseidon has voluntarily proposed a precedent-setting Climate Action Plan pursuant to which Poseidon commits to measures to offset the project’s minimal net carbon emissions so that the project is net carbon neutral. Poseidon’s Climate Action Plan is a voluntary project component.¹⁴⁸

As described below, Poseidon will demonstrate that its proposed project will conform to the Section 30253(4) requirement to minimize energy consumption to avoid or mitigate adverse effects to coastal resources caused by energy-related greenhouse gas emissions through its conformity to Special Condition 10, ~~Special Condition 10~~, as described below.

¹⁴⁸ See *id.* at pp. 22-25.

Issue Background

One of California’s biggest overall energy uses, and one of its most intensive energy uses, is moving water around the state. With most of its water in the north and most of its population in the south, California has established conveyance systems to move water hundreds of miles and over hundreds of feet of elevation gain. Because water is relatively heavy, it requires significant amounts of electricity to transport – for example, the State Water Project uses up to about 5 billion kilowatt-hours each year to move millions of acre-feet of water from Northern to Southern California. Its average demand per acre-foot is about 3,400 kilowatt-hours, which is about the same as the annual residential use for each person in the U.S.

Compared to California’s existing water supply systems, seawater desalination is an even more energy intensive source of water. Although desalination’s energy needs have decreased significantly in the past several years, reverse osmosis facilities such as Poseidon’s proposed project still require much more electricity than is needed for other water sources. For example, Poseidon’s proposal is expected to require no less than about 4,400 kilowatt-hours per acre-foot, about ~~3029%~~ more than the State Water Project, ~~which provides a part of the water imported to the San Diego area. It would require about 120% more kilowatt hours per acre foot than water imported to the area from the Colorado River, which requires about 2000 kilowatt hours per acre foot and provides an additional amount of imported water to the area.~~

In many parts of the state, the electrical grid needed to provide water is under a great deal of strain. Southern California, in particular, will be challenged to meet its energy needs due to its need to reduce its reliance on aging power plants and to develop new energy sources, developing updated transmission infrastructure, and other similar difficulties.⁶⁹¹⁴⁹ Poseidon’s proposal would rely on the local and regional electrical grid, which generates most of its electricity from fossil fuel-fired power plants. The proposed facility’s electrical use would therefore result in substantial greenhouse gas emissions due to its use of this type of electricity. In response, Poseidon has proposed a Climate Action Plan, which is discussed in greater detail later in these ~~F~~findings.

Background of Greenhouse Gas-related Issues and Impacts: The Fourth Assessment Report of Working Group I of the Intergovernmental Panel on Climate Change (IPCC) (2007) represents the consensus of fifty top international scientists working in fields related to climate change. More than one hundred national governments, including the United States, have approved the report. The report concludes that the evidence of global climate system warming is unequivocal, as is now evident from observations of increases in global average air and ocean temperatures, widespread melting of snow and ice, and rising global mean sea level (IPCC, 2007). Further, the report concludes that “most of the observed increase in globally averaged temperatures since the mid-20th century is very likely [greater than 90% probable] due to the observed increase in anthropogenic greenhouse gas concentrations.” The report cites numerous

⁶⁹¹⁴⁹ See, for example, the California Energy Commission’s 2007 *Draft Integrated Energy Policy Report*.

long-term changes in climate, including changes in Arctic air temperatures, decreases in the amount of Arctic sea ice, widespread changes in precipitation amounts, increase in ocean salinity, changes in wind patterns and increased incidences of extreme weather including droughts, heavy precipitation, heat waves and tropical storms.

Many studies consider a climate heating of more than 2 degrees Celsius above pre-industrial temperatures as representing “dangerous” level of climate disruptions. Based on six emissions scenarios ranging from “business as usual” to aggressive shifts to cleaner technologies, the best estimates of global average temperature increase are between 1.8 and 4.0 degrees Celsius by 2099. A more recent study has found that comparing actual “on the ground” data compiled during the last ten years shows that the model used to develop these scenarios has vastly underestimated the rate and degree of global warming effects. It suggests that limiting global heating to no more than 2 degrees Celsius will require measures that result in the equivalent of complete elimination of industrial emissions (see Weaver et. al. *Long term climate implications of 2050 emission reduction targets*, in *Geophysical Research Letters*, October 6, 2007).

These six emission scenarios also estimate that sea level will rise between 0.18 and 0.59 m. This amount of sea level rise does not include contributions from rapid melting of either the Greenland or Antarctic ice caps. (Bindschadler, 2006; Ekström et al., 2006; Joughin, 2006; Kerr, 2006). In addition, the ocean’s absorption of carbon dioxide leads to a reduction in ocean pH with concomitant consumption of dissolved carbonate ions, which adversely affects calcite-secreting marine organisms, marine water quality and the abundance and distribution of marine species (The Royal Society, 2005).

Impacts to the California Coastal Zone: In July 2006, the California Climate Change Center released a series of reports describing ongoing and future effects of global warming on the California environment (Baldocchi and Wong, 2006; Battles et al., 2006; Cavagnaro et al., 2006; Cayan et al., 2006a; Cayan et al., 2006b; Cayan et al., 2006c; Drechsler et al., 2006; Franco and Sanstad, 2006; Fried et al., 2006; Gutierrez et al., 2006; Joyce et al., 2006; Lenihan et al., 2006; Luers et al., 2006; Luers and Moser, 2006; Medellin et al., 2006; Miller and Schlegel, 2006; Moritz and Stephens, 2006; Vicuña, 2006; Vicuña et al., 2006; Westerling and Bryant, 2006). Drawing on three projected warming scenarios (low, medium, and high), the reports projected severe impacts by the end of the century in the areas of public health, water resources, agriculture, forests and landscapes, and sea level. Many of these effects will adversely impact resources of the coastal zone. The adverse effects include worsened air quality, changes in species distribution, significant reductions in plant and animal diversity, loss of various kinds of agriculture (such as fruit trees), expansion of invasive plant and animal species, increase in plant pathogens, increase in number and severity of wildfires, rising sea level, coastal flooding, and increased coastal erosion. In addition, absorption of carbon dioxide by the ocean is causing a reduction in ocean pH with concomitant consumption of dissolved carbonate ions, which is adversely impacting calcite-secreting marine organisms. The warming of ocean waters is also adversely affecting marine resources.

As identified in the 2006 Climate Change Center reports, air quality will be compromised by soot from wildfires, which the report predicts will increase. Coastal agriculture, already

threatened by land development and habitat fragmentation, will be subject to further impacts from climate change. Impacts to coastal agriculture will include impacts to wine grapes, which will be subject to premature ripening and decreased fruit quality; adverse impacts to fruit and nut trees, many of which will no longer be able to produce once the number of “chill hours” per day drops below that necessary for proper ripening; and adverse impacts to milk production. Other threats to coastal agriculture identified by the Climate Change Center reports include the expansion of the ranges of agricultural weeds and an increase in plant pests and pathogens. Coastal forests and scrublands will be increasingly susceptible to wildfires due to longer and warmer periods of summer drying. This, together with the warmer climate itself, will lead to shifts in vegetation type, probably resulting in the loss of coastal scrub as it is converted to grasslands. Inasmuch as suitable habitat exists, species requiring cooler climates can migrate northward or to higher elevations. Their ability to do this, however, will be limited by the speed with which they are able to disperse, the suitability and interconnectivity of available habitat, and their ability to compete with non-native invasive species which, by definition, are able to disperse and exploit habitat efficiently. All of these effects will lead to a decline in forest productivity, with a concomitant loss in habitat.

The most direct impacts of global warming focused on the coastal zone are sea level rise and its associated impacts, ocean warming, and ocean acidification:

- **Sea Level Rise:** According to tide gage data, global mean sea level has been rising at the rate of approximately 1.8 mm/yr for the past century (IPCC, 2001). Although no acceleration of this rate is apparent from the tide gage data (IPCC, 2001), satellite measurements starting in the early 1990s indicate an annual rate of approximately 2.8 mm/yr (Church and White, 2006). Sea level is clearly rising, and the rate of increase may in fact be accelerating. Since land can also change elevation due to either uplift or subsidence, global sea level change affects various coastal areas differently. Much of the California coast is rising; however the rate of uplift is, everywhere except northernmost California, lower than the rate of sea level rise. The *relative* historic rate of sea level rise (relative sea level rise is global sea level minus local land uplift or plus local land subsidence) has been calculated by Commission staff to range from a high of 2.16 ± 0.11 mm/yr in San Diego to a low of 0.92 ± 0.17 mm/yr in Los Angeles. Relative sea level is actually falling at Crescent City due to the high rates of tectonic uplift at that locality. (California Coastal Commission, 2001).

Even the 0.18 to 0.59 meter rise in sea level by 2100 predicted by the IPCC will have a large impact on the California coast. The effects of a much larger increase in sea level due to large contributions from the Greenland and/or Antarctic ice sheet would be truly catastrophic. The 2001 Coastal Commission report concluded:

The most obvious consequence of a large rise in sea level will be changes in areas that are submerged. Lands that now are only wet at high tide could be wet most of the day. Structures that are built above the water, like docks and piers, will be closer to the water, or eventually submerged. A second consequence will be an increase in wave energy. Wave energy is a factor of wave height. Wave heights along the California coast are influenced greatly by bottom depths and for most locations along

the coast, the heights of nearshore waves are “depth limited”. When the water depth increases, the wave height can be higher. Thus, higher waves impact the coast during high tide than during low tide. Wave energy increases with the square of the wave height. Thus, a 2-foot (0.6-meter) wave would have 4 times the energy of a 1-foot (0.3-meter) wave. Small changes in water level can cause significant changes in wave energy and the potential for shoreline damage from wave forces. A 1-foot to 3-foot (0.3 to 0.9 meter) rise in sea level, such as projected to occur over the next 100 years, would cause enormous changes in nearshore wave energy. The consequences of a 1-foot to 3-foot (0.3 to 0.9 meter) rise in sea level are far reaching. Along the California coast, the best analogy for sea level rise is thought to be El Niño, where a significant rise in sea level will be like El Niño on steroids. One of the factors that contributed to the amount of damage caused by the 1982/83 El Niño was that several storms coincided with high tide events and the elevated water levels (from tides and low pressure system combined) brought waves further inland than would have occurred otherwise...

Beaches and Coastal Bluffs: Open coastal landforms like beaches and bluffs will be exposed to greater and more frequent wave attack. There will more potential for erosion and shoreline retreat. For gently sloping beaches, the general rule of thumb is that 50 to 100 feet of beach width will be lost from use for every foot of sea level rise... Some global circulation models predict significant increases in run-off from coastal watersheds in California (Wolock and McCabe, 1999) ...

In general, erosion of the landward edge of a beach, dune, or coastal bluff creates additional beach area, and so even in a period of sea level rise such as the present, in which the seaward extent of the beach is reduced by flooding and erosion, new beach creation can result in a relatively constant beach width. However, when threats to existing development from erosion lead to the construction of shoreline protective devices that halt the landward migration of the back beach, continued flooding of the seaward beach results in a reduction in beach width. Thus, on beaches experiencing erosion due to rising sea level, the protection of threatened structures will result in the loss of beaches wherever property owners choose to harden the coast to prevent coastal erosion. This loss of beach has immense negative impacts, including loss of recreational value, tourism, marine mammal haul-out area, sandy beach habitat, and buffering capacity against future bluff erosion.

The 2001 Coastal Commission report goes on to indicate other potential impacts of sea level rise on the California coast:

Wetland changes also will be affected by inland development. Historically, wetland areas migrated both upward and landward as they were inundated. If the inland area has a slope and soil composition that can support a wetland and is not already developed, then inland migration may be possible. If there is a steep bluff or some type of fixed development, such as a highway or bulkhead, inland of a wetland, inland migration will not be possible and the wetland area will diminish over time.

Another physical change to wetland in response to a rise in sea level is an increase in the tidal currents, with the potential for increased scour. Also, for estuarine systems there will be a shift in the location of the salt water-freshwater interface, and an inland movement of the zone of brackish water...

Ports, Harbors and Marine Facilities: Much of the infrastructure of a port or harbor will be affected by a change in sea level. So too will marine terminals and offshore structures. All of the horizontal elements, such as the decking of wharves and piers, will be exposed more frequently to uplift forces larger than those occurring now. Compared to current conditions, ships will ride higher at the dock and cargo-handling facilities will have less access to all parts of the ship. Loading and unloading may have to be scheduled for low tide periods to allow greatest access into the ship, or else mooring and cargo handling facilities will need to be elevated.

If breakwaters or jetties protect the harbor, these structures will become less efficient as water levels increase. The breakwaters and jetties will need to be enlarged and heightened to keep up with the rise in sea level, or the harbor will have to accept a higher level of overtopping and storm surge, and a higher probability of storm damage. The increase in water level could also increase the tidal prism of the harbor, resulting in increased scour at the foundations of any structures in the harbor. So, it may also be necessary to reinforce the base of the breakwater or jetty to insure stability. Benefits that could occur from a rise in sea level would be the opportunity for harbors to accommodate deeper draught ships and a decrease in dredging to maintain necessary channel depths.

Seawalls and other engineered shoreline protection: [Seawall] foundations would be exposed to greater scour and the main structure would be exposed to greater and more frequent wave forces. As with breakwaters and jetties, these structures will need to be reinforced to withstand these greater forces, or a lower level of protection will have to be accepted for the backshore property.

- **Ocean Warming:** In December 2006, the Commission held the first in a series of workshops on global warming. One of the well-recognized connections between the atmosphere and the ocean is heat exchange. Global warming of the atmosphere is expected to cause an increase in ocean warming as the ocean absorbs greater amounts of thermal energy from the atmosphere. At the workshop, Dr. James Barry (Associate Scientist, Monterey Bay Aquarium Research Institute) presented a summary of observed and predicted effects of ocean warming on California coastal ecosystems. Dr. Barry inventoried intertidal animals along the Monterey coast, and compared his results to a 1932 baseline inventory. He found that species that increased in abundance in southern California had increased markedly since the baseline study. Over the same time, there was a dramatic decline in species more associated with northern California. This demonstrates that the observed warming of the ocean over the past 60 years has resulted in a shift in the geographic ranges of species. With continued warming, species can be expected to continue to migrate northward as long as suitable habitat is available.

Some instances of remarkable biodiversity are due to the fortuitous combination of suitable ocean temperature and suitable geomorphic conditions. For example, one of the most diverse shallow water habitats in California is found in the rocky-bottom waters around the northern Channel Islands. This is a zone of mixing of species characteristic of a “southern California realm” and a “northern California realm.” The abundant rocky bottom habitat in the shallow waters ringing the islands provides a niche in which this diversity is expressed. If, because of global warming, the suitable temperature zone migrates northward, it will be moved off of the abundant rocky bottom habitat and the diversity and ocean productivity might decrease significantly.

Declines in ocean productivity due to habitat shifts are an indirect consequence of ocean warming. Ocean warming can cause a direct loss of primary productivity as well. Warming of the surface of the ocean results in increased ocean stratification, limiting the upwelling of deep, nutrient-rich waters that are responsible for California’s rich coastal productivity. Roemmich and McGowan (1995) report a 1.2 to 1.4 degree centigrade increase in ocean temperature between 1950 and 1994. This was accompanied by a 75% reduction in zooplankton biomass. Reductions in phytoplankton and zooplankton biomass have profound cascading effects throughout the food chain. Short term warming events, such as El Niño events, have resulted in abrupt decline in commercial fish species, marine mammals, and birds (Laws, 1997; Nezlin et al., 2005). Similar effects might accompany global warming on a longer time scale, vastly affecting California’s coastal resources.

Ocean warming could also create a disconnect between historic feeding and breeding grounds for many species. Welch and others (1998) reported on potential changes in sockeye salmon distribution due to future global warming. Sockeye salmon, which spend 2-3 years in waters of the northern Pacific, migrate northwards to areas of high productivity, such as the Bering Sea, in the summer. Productivity decreases with temperature increase, however, and as the Bering Sea warms, migration routes would have to be longer. Eventually, the metabolic cost of migrating further northwards to feeding grounds could make the migration infeasible. When summer feeding grounds are disconnected from winter breeding grounds, a population crash may be anticipated. A population crash in such species would not only impact commercial fishing in California, but would ripple up through the food chain, impacting protected coastal resources such as marine mammals and birds.

- **Ocean Acidification:** Just as there is an exchange of thermal energy between the atmosphere and the oceans, there is an ongoing exchange of gases between the atmosphere and the ocean. Each year some 92 billion metric tonnes of CO₂ annually are directly absorbed by the ocean from the atmosphere. At the same time, approximately 90 billion metric tonnes are released back to the atmosphere (Schlesinger, 1997). The net increase in dissolved CO₂ in the ocean is a direct result of increases in the atmosphere related to changes humans are making to the carbon cycle—most notably fossil fuel burning and land use changes (deforestation, mostly in the tropics). The ocean is an enormous reservoir that can absorb a vast amount of CO₂, although the rate of ocean mixing is too slow to prevent the

current buildup in the atmosphere. Without this net absorption of CO₂ by the oceans, the atmospheric buildup—and global warming—would be far greater than it is now.

Over the past 200 years, the oceans have taken up approximately half of the industrial age CO₂ emissions, substantially reducing the net atmospheric concentrations of CO₂. This effect does not come without a cost, however. When CO₂ is absorbed by the ocean, some of it combines with water to form carbonic acid (H₂CO₃). This results in only a modest decrease in ocean pH, however, because most of the carbonic acid recombines to form bicarbonate ions (HCO₃⁻). In the process, carbonate ions (CO₃⁻²) are consumed, with the net result being that absorption of CO₂ by the ocean consumes carbonate ions and reduces the pH of the ocean. The decrease in pH is minor because of the “buffering capacity” of these carbonate reactions, but appears to have decreased mean average surface water pH by 0.1 pH units over the past 200 years (Caldeira and Wickett, 2003). Because the pH scale is logarithmic, this decrease in ocean pH (commonly called “ocean acidification,” but more properly referred to as a decrease in alkalinity) means that hydrogen ion activity (which defines acidity) has increased by some 30% in this time frame (The Royal Society, 2005).

The effects of decreasing ocean alkalinity and carbonate ion concentration are twofold. First, many species are directly affected by the reduction in pH. In his presentation before the Commission in December 2006, Dr. Barry identified several physiologic stresses to which some species are susceptible. These stresses include respiratory stress (reduced pH limits oxygen binding and transport by respiratory proteins, such as hemoglobin, leading to reduced aerobic capacity), acidosis (disruption of acid/base balance which impairs function and requires energy to restore or maintain optimal pH balance), and metabolic depression (reduced pH associated with increased environmental CO₂ can cause some animals to enter a state of torpor or semi-hibernation). In addition to these physiologic effects, calcite-secreting organisms (including many phytoplankton, zooplankton, clams, snails, sea stars, sea urchins, crabs, shrimp, and many others) have more difficulty secreting their shells or tests under reduced carbonate ion concentrations. Deep-sea species will be particularly affected because increasing CO₂ levels in seawater decreases the saturation state of seawater with respect to calcium carbonate (CaCO₃) and raises the saturation horizon closer to the surface. The CaCO₃ saturation horizon is a depth in the ocean above which CaCO₃ can form, but below which CaCO₃ dissolves. Increasing surface CO₂ levels could have serious consequences for organisms that make external CaCO₃ shells and plates (The Royal Society, 2005). The consequences of reduced calcification are not fully known, but are likely to include changes to plankton communities, higher metabolic costs for water-breathing species, resulting in lower growth, survival and reproduction, and higher metabolic costs for calcite secreting organisms. The effect on food webs is unclear, but it is very likely that these effects will result in a loss of biodiversity and complexity in California’s coastal marine ecosystems.

Analysis of Poseidon’s Anticipated Greenhouse Gas Emissions and Poseidon’s Response

As noted above, Commission staff estimates that Poseidon’s electricity use would generate about 200,000,000 pounds (approximately 90,000 metric tonnes) of carbon dioxide emissions each year, based on Poseidon’s use of approximately 250,000 megawatt-hours per year from the San Diego Gas & Electric Company (SDG&E) energy portfolio. On the other hand, Poseidon, relying on the California Climate Action Registry (CCAR) Protocol, estimates that its electricity use would generate approximately 61,004 metric tons of carbon dioxide emissions each year, based upon its use of 246,156 megawatt-hours per year from SDG&E, which has a CCAR certified emissions factor of 546.46 lbs of CO2/MWH. Since Poseidon intends to buy all of its energy from SDG&E system power, Poseidon states that the appropriate emission factor to use for the project’s indirect carbon emissions from its electricity purchases is SDG&E’s annual emission factor for delivered electricity as stated in its CCAR Annual Emissions Report.¹⁵⁰ SDG&E last filed an Annual Emissions Report with the CCAR on March 7, 2007, and it provides an emission rate of 546 lbs of CO2/MWH. In October 2007, Poseidon submitted several letters and memoranda to Commission staff describing a proposed Climate Action Plan, with the proposed facility’s expected electricity use, some possible measures that would reduce its expected use, and measures that Poseidon may use to address its greenhouse gas emissions. These are described in more detail below.

Poseidon’s most recent estimates show that it expects the project would use 4,833 kilowatt-hours to produce each acre-foot of potable water, but that this figure would be lowered to about 4,400 kilowatt-hours by implementing measures described below. This includes using the power plant’s ~~Unit 4~~ pumps to bring water into the intake channel, pumping that water into the proposed facility, ~~pretreating~~pretreating the water, producing desalinated water using reverse osmosis membranes, and pumping the water from the water from the facility to the delivery points in Carlsbad and ~~nearby communities~~beyond. At 4,833 kilowatt-hours per acre-foot, Poseidon’s electrical use would total 270,648 megawatt-hours per year.⁷⁰¹⁵¹ Poseidon’s estimates also show that its expected continual electrical demand would be between 28.1 and 33.8 megawatts, with an average demand of about 30 megawatts. Using these figures, Poseidon’s electrical use would range from 246,156 to 296,088 megawatt-hours per year, with an average annual use of 262,800 megawatt-hours.⁷¹¹⁵²

Poseidon ~~also described~~s Climate Action Plan describes several measures that it may use to reduce its electrical use. Those measures include a high-efficiency energy recovery device that Poseidon is still testing, but which could reduce its electrical use by about 10%, to about 4400 megawatt-hours per acre-foot of production. Although Poseidon has not yet committed to using this device, the emissions analysis in these Findings credits Poseidon with the emission reductions that would occur due to its use. Using the 4400 megawatt-hour per acre-foot figure

¹⁵⁰ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at pp. 23-24.

⁷⁰¹⁵¹ 4,833 X 56,000 acre-feet per year / 1,000 kilowatts per megawatt = 270,648.

⁷¹¹⁵² At a steady rate of electrical use, 30 megawatts X 24 hours per day X 365 days per year = 262,800.

would result in Poseidon’s electrical use being 246,400 megawatt-hours per year, or approximately 250,000 megawatt-hours per year, which is used as the basis for the analyses in these findings. ~~This~~On Commission staff’s calculation, this would result in carbon dioxide emissions of about 200,000,000 pounds (~~about 90,000~~ metric tonnes) per year.⁷²153

As noted above, the analyses in these Findings do not include several emission sources that could add significantly to Poseidon’s total. The analyses do not include emissions resulting from project construction and manufacture of materials used.

Recent letters and memoranda from Poseidon (see October 21 and 22, 2007) provide a much lower estimate of its anticipated greenhouse gas emissions. Poseidon contends, relying on the most recent SDG&E submittal to the California Climate Action Registry (CCAR), ~~contends~~ that its emission rate should be based on 546 pounds of carbon dioxide emissions per megawatt-hour, based on emissions expected from the energy sources in SDG&E’s energy supply portfolio and as described in the most recent CCAR-certified emissions annual report. This would result in about 134,400,000 pounds (~~about 60,000~~61,000 metric tonnes) of carbon dioxide per year instead of 200,000,000 pounds (~~about 90,000 metric tonnes~~). ~~Since Poseidon intends to buy all of its energy from SDG&E system power, Poseidon states that the appropriate emission factor to use for the project’s indirect carbon emissions from its electricity purchases is SDG&E’s annual emission factor for delivered electricity as stated in the annual CCAR Report.~~⁷³ ~~SDG&E last filed an Annual Emissions Report with the CCAR on March 7, 2007, and it provides an emission rate of 546 lbs of CO2/MWH~~90,000 metric tonnes. However, in Commission staff’s view, in comparing the SDG&E portfolio with the CCAR’s average California portfolio, the SDG&E portfolio appears to result in an even higher emission figure than the California average.⁷⁴154 For example, coal and natural gas, which have average emission rates much higher than 804.54

⁷²153 Based on the CCAR average rate of 804.54 pounds per megawatt-hour of carbon dioxide emissions from California’s electrical sources.

⁷³ ~~See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at pp. 23-24.~~

⁷⁴154 Poseidon provided the following percentages of SDG&E’s electricity sources, and the California averages are from the California Energy Commission’s 2006 Gross System Power Report:

| Resource Type: | SDG&E Percent: | State Percent: |
|----------------|----------------|----------------|
| Coal | 18.0 | 15.7 |
| Natural Gas | 50.0 | 41.5 |
| Large Hydro | 10.0 | 19.0 |
| Nuclear | 15.0 | 12.9 |
| Biomass | 3.0 | 2.1 |
| Geothermal | 2.0 | 4.7 |
| Small Hydro | <1 | 2.1 |
| Solar | <1 | 0.2 |
| Wind | 3.0 | 1.8 |

pounds per megawatt-hour,⁷⁵¹⁵⁵ make up a larger proportion of San Diego’s portfolio than the state portfolio. Additionally, SDG&E testimony before the California Public Utilities Commission suggests its carbon dioxide emissions are in the range of 1100 pounds per megawatt-hour, based on an average of a range of natural gas technologies and heat rates.⁷⁶¹⁵⁶ Elsewhere, SDG&E’s emissions are cited as 915 pounds per megawatt-hour for electricity it purchases.⁷⁷¹⁵⁷ ~~It appears Commission staff, therefore, contends that Poseidon’s proposed use of the CCAR factor is not adequate to describe its expected emissions. Poseidon disagrees, stating that Commission staff did not follow the CCAR protocol or rely on the CCAR-certified SDG&E emission factor. Poseidon believes that because CCAR is the only state agency authorized by the Legislature to establish protocols for determining carbon emission baselines, Poseidon contends the Commission staff analysis is in error. The CCAR-certified figure Poseidon uses~~ the CCAR certified emissions rate for SDG&E may be in error. The CCAR certified figure is derived from SDG&E’s 2005 self-reported Annual Entity Emissions report, which states that SDG&E expects emissions of 546 pounds per megawatt-hour from owned and purchased generation sources; however, that figure is not supported by other SDG&E sources or by other agencies, including the California Energy Commission and State Lands Commission, in their determinations related to emissions from different types of electricity sources. For example, the State Lands Commission in its October 30, 2007 hearing used 815 pounds per megawatt-hour as the basis of its review, with a “best-case” low emission rate of 690 pounds and a high rate of 1100 pounds. Poseidon submitted evidence demonstrating that the CCAR calculations of 546 pounds per megawatt-hour are not in error, however, since CCAR is the only state agency that is authorized by the California State Legislature to establish protocols for establishing carbon emission baselines, and the source of the derivation comes from SDG&E’s credible self-reported Annual Entity Emissions report.¹⁵⁸

In selecting an appropriate rate to use for these analyses, Commission staff states that it used the standard figure from the Climate Action Registry, ~~which is the lowest of these credible emission rates,~~ to establish Poseidon’s 200 million pound contribution to greenhouse gas emissions.⁷⁸¹⁵⁹ ~~Based on the above, the Commission believes the basis of Commission staff’s calculations are an appropriate, if not a low, estimate of carbon dioxide emissions resulting from Poseidon’s proposed electricity use. Even so, because SDG&E reports its overall emission rate on an annual basis and that rate changes based on the particular mix of electricity sources SDG&E uses each~~

⁷⁵¹⁵⁵ Natural gas emissions range from about 800-1200 lbs/megawatt-hour, and coal emissions are more than 2000 lbs/megawatt-hour.

⁷⁶¹⁵⁶ See page 12 of the *Prepared Rebuttal Testimony of San Diego Gas & Electric Company – J. Strack*, in the CPUC’s Application No. 06-08-010 for the Sunrise Powerlink Transmission project, June 25, 2007.

⁷⁷¹⁵⁷ See Powers, Bill, *Assessment of Energy Intensity and CO2 Emissions Associated with Water Supply Options for San Diego County*, October 12, 2007.

¹⁵⁸ See Poseidon Resources Corporation, *Response to Staff Report, November 9, 2007, Exh. A at pp. 23-24.*

⁷⁸¹⁵⁹ Using the next higher credible estimate (1100 pounds per megawatt-hour) would result in Poseidon’s emissions being closer to 300,000,000 pounds per year.

~~year, the rate that would be used to determine Poseidon's greenhouse gas contributions each year is at this point unknown but will be determined through Commission review and approval of Poseidon's Energy Minimization and Greenhouse Gas Reduction Plan as described later in these Findings.~~ Poseidon disagrees, stating that Commission staff did not follow the CCAR protocol or rely on the CCAR certified SDG&E emissions factor.¹⁶⁰ Because CCAR is indeed the only state agency that is authorized by the California State Legislature to establish protocols for establishing carbon emission baselines, Poseidon contends that the Commission staff's analysis is in error.

In its October 21, 2007 memorandum, Exhibit D to its November 9, 2007 letter to the Commission, and in its ~~November 15, 2007~~ presentation to the Commission at the November 15, 2007 hearing, Poseidon presented its voluntary proposal to offset or reduce the proposed project's energy use and greenhouse gas production so that the facility's operations would be net carbon neutral. Poseidon states that it will develop a Climate Action Plan that (1) would ensure the project minimizes energy consumption in compliance with Coastal Act Section 30253(4), and (2) would voluntarily render the project net carbon neutral. Poseidon's Climate Action Plan may include the following, which are described in more detail below:

Energy ~~m~~Minimization ~~m~~Measures:

- Installing a state-of-the-art high efficiency energy recovery system, ~~including improved energy efficiency for the proposed project that would~~ that will decrease the amount of energy required by the facility's ~~expected electrical demand~~ by 10% or about ~~10% of 433 kilowatt-hours per acre-foot~~ 433 kWh/AF.
- Evaluating the proposed project through a LEED-type process, and implementing as many of the LEED Checklist items as feasible ("LEED" is the "Leadership in Energy and Environmental Design" program).
- Installing variable- frequency drives on the desalination facility's intake water pumps to improve their energy- efficiency.
- ~~Installing~~ Installation of low-friction piping materials (e.g., FRP and HDPE) where ver possible to reduce head losses and related energy consumption ~~needed to move water~~ through the pipe ~~lines~~ g.

Carbon ~~n~~Neutrality ~~m~~Measures:

¹⁶⁰ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at pp. 23-24.

- Acquiring renewable power ~~by installing solar photovoltaic~~ through installation of PV array and other renewable ~~energy~~ sources.
- Acquiring Renewable Energy Credits (RECs) or purchasing carbon offset projects.
- Restoring and preserving coastal wetlands for carbon sequestration.
- Providing \$1 million worth of trees ~~to reforest burned areas~~ for reforestation in the San Diego area.

As noted previously, Poseidon initially estimated that its facility would require 4,833 kilowatt-hours of electricity to produce each acre-foot of potable water (kWh/AF) and transport that water to delivery points in Carlsbad and ~~nearby communities~~ elsewhere. This figure would otherwise be somewhat higher – about 5,990 kWh/AF – however, Poseidon plans to use an energy recovery turbine to reduce electricity demand by about 1,103 kWh/AF. Poseidon is also exploring the use of a relatively new energy recovery device known as a pressure exchanger, which it expects could reduce electrical use by an additional 10%. This would result in electrical usage of about 4,400 kWh/AF and would reduce Poseidon’s expected carbon dioxide emissions to ~~about somewhat greater than~~ 200 million pounds per year (90,000 metric tonnes) per year according to Commission staff’s calculations, or 134 million pounds (61,000 metric tonnes) per year per CCAR. It would clearly be to Poseidon’s advantage to use any cost-effective energy efficiency devices available to reduce its operating costs, and ~~although~~ Poseidon has ~~not yet~~ committed to use this device, and the emission estimates in these Findings ~~already~~ credit Poseidon with the emission reductions that would result from its use.

Poseidon is also exploring a number of other energy efficiency measures, including installing variable speed pumps, installing high efficiency lighting and motors throughout the facility, and using low-friction piping material and installing larger diameter piping where possible. It is proposing to implement as many LEED items as feasible, including providing bicycle storage, using water efficient landscaping, providing recycling capability, using low-emission adhesives and sealants, etc. It is also considering installing a rooftop solar energy system. The Commission supports Poseidon’s proposed use of the LEED guidelines, as implementing LEED-related measures would likely provide numerous benefits; however, those guidelines would not result in significantly lower emissions from Poseidon’s anticipated electrical use. Further, Poseidon has not yet committed to these measures.

Poseidon also states that it could further reduce its energy use by operating at 80% capacity during the eight hours per day of peak electricity demand and then operate at 108% of its average capacity during the remaining hours each day.⁷⁹161 This proposed operating scenario, however,

⁷⁹161 An annual daily average of 50 MGD equals 2,083,333 million gallons per hour. Operating at 80% capacity for eight hours would produce about 16.6 million gallons, and operating at 108% capacity for sixteen hours would produce about 33.3 million gallons, for an overall total of about 49.9 MGD. Since the energy required to produce

would not necessarily reduce energy use or emissions; it would instead shift energy use from one time of day to another. This would be beneficial in that it would lower Poseidon’s electricity costs and reduce demand on the electricity grid during those peak hours, but Poseidon would still produce about the same amount of water each day requiring the same amount of electricity for each acre-foot.

Poseidon further contends it should be credited with emission reductions because its project would result in less water being transported to the San Diego region from the State Water Project. Although the State Water Project emits fewer emissions per acre-foot than Poseidon’s project would, applying a credit for this foregone use would lower Poseidon’s overall greenhouse gas contributions by about ~~40~~⁷⁷% (i.e., the difference between Poseidon’s 4400 kilowatt-hour per acre-foot energy use and the State Water Project’s 3400 kilowatt-hour per acre-foot).¹⁶² Poseidon states that the Carlsbad facility will supply 56,000 acre-feet of water per year to the San Diego region, water that would otherwise have to be pumped into the region through either the State Water Project or the Colorado River Aqueduct. Poseidon further ~~contends~~^{provides}, as stated by all Carlsbad desalination project water agency partners in letters to the State Lands Commission dated November 6 and November 7, 2007, which were also provided to the Coastal Commission, that water from the desalination plant will provide direct, one-for-one replacement of imported water to meet the requirements of their Urban Water Management Plans, thus eliminating the need to pump 56,000 acre feet of water into the region.⁸⁰¹⁶³ Conversely, ~~Poseidon contends that~~ if the project is not approved the demand for imported water by the eight public water agencies will increase by 56,000 AF/Y starting in 2010. Additionally, ~~the~~ Metropolitan Water District of Southern California (MWD) has committed to pay Poseidon’s customers \$250/AF for each acre-foot of water purchased from the project that offsets a demand on MWD. The availability of MWD funding is subject to annual audit demonstrating that the desalinated water was used to offset a demand for imported water that would otherwise have to be delivered by MWD. Poseidon concludes that, if the replaced water is pumped into the region for other uses, then the associated carbon emissions from such pumping should be and is the responsibility of the proponents of those other uses. ~~Poseidon asserts that any~~^{Any} other result would be an unfair and unwarranted “double counting” of carbon emissions, requiring Poseidon to offset emissions caused by other activities not associated with its own operations.⁸¹¹⁶⁴

For several reasons, however, the Commission ~~finds~~^{staff believes} this “crediting” approach does not appear warranted. First, Poseidon’s proposed ~~“crediting” is not based on verifiable~~

each acre-foot is about 4400 kilowatt-hours, the overall energy difference between continual production of 50 MGD (153.4 AF) and variable production of 49.9 MGD (153.1 AF) would be minimal.

¹⁶² [See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. D \(Climate Action Plan\) at p. 4.](#)

⁸⁰¹⁶³ See Poseidon Resources Corporation. Letter to Paul Thayer Re: Desalination Project’s Impact on Imported Water Use, November 8, 2007, including attachments from eight water agencies.

⁸¹¹⁶⁴ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at p. 24.

~~reductions in greenhouse gas emissions, but on speculative changes in water delivery.~~
Poseidon's proposed project does not ensure a decrease in imported water supplies ~~from the State Water Project or to the San Diego Region.~~⁸² to the San Diego Region.¹⁶⁵ Other factors may contribute to such a decrease – e.g., supply cutbacks imposed by court order, a shift in water prices, etc. – but Poseidon's project itself does not include measures that would implement such a decrease, such as retiring distant water rights or assigning water rights to instream uses. ~~Similarly, other factors out of Poseidon's control and not part of its proposal could result in increased water imports to the region – e.g., price changes, increased availability of agricultural water for urban use, etc. – which would result in any "credits" to Poseidon being based on increased rather than decreased emissions from imported water.~~ Poseidon acknowledges that the State Water Project would continue to pump available water to Southern California users, but then argues that it should still be credited for what would then be a non-existent reduction in emissions. Additionally, because Poseidon's water would be more expensive than imported sources, available imported water would likely remain the water of choice for most users ~~in the region,~~ and so Poseidon's project would not likely affect the cost preference for imported water (e.g., the San Diego County Water Authority has contracted with the Imperial Irrigation District for up to 200,000 acre-feet per year – about 175 MGD – at less than \$300 per acre-foot). Further, much of the water imported to San Diego comes from the Colorado River, which requires about a third less electricity than water imported from the State Water Project (approximately 2,000 kilowatt-hours per acre-foot versus ~~3,400~~3,100 kilowatt-hours per acre-foot), so even if "crediting" was appropriate, it would ~~likely~~ be at a much lower level than Poseidon proposes. ~~All these factors result in a high degree of uncertainty as to if or when Poseidon's "crediting" approach would be based on, or would contribute to, a reduction of emissions.~~

Poseidon further contends that its project should be seen as part of a proposed regional water supply portfolio that would result in an overall reduction of electrical use and greenhouse gas emissions from the area's water use. Poseidon states that the planned shift in the San Diego region's water portfolio – using less imported water, gaining water through conservation, recycling, and canal lining projects, using seawater desalination, etc. – will result in an overall 19% reduction in the energy use per acre-foot now used for the region's water supply. ~~However,~~ while ~~while~~ such a shift would likely reduce overall electrical use and emissions, those measures are not a part of Poseidon's proposal and those components of the proposed future portfolio would not reduce Poseidon's ~~200 million pounds of~~ carbon dioxide emissions. ~~Further, seawater desalination would represent the most energy-intensive of the water sources identified in the portfolio; therefore, using imported water or any other sources instead of seawater desalination would result in the portfolio have even lower overall energy usage and lower greenhouse gas emissions.~~

⁸²¹⁶⁵ We note that the San Diego County Water Authority continues to seek out additional imported water sources that would be used regardless of Poseidon's project.

In sum, ~~and with or without the speculative and potential changes in water delivery described above~~ in Commission staff's view, the electrical demand of Poseidon's proposed project, ~~which is the current proposal before the Commission,~~ would contribute ~~approximately~~ no less than 200 million pounds (90,000 metric tonnes) of carbon dioxide annually. ~~However, to mitigate the effects of these emissions on coastal resources,~~ and Poseidon's calculations, based on the CCAR protocol, estimate approximately 134,400,000 pounds (61,000 metric tonnes) of carbon dioxide emissions annually. Poseidon and ~~the~~ Commission staff will consult with ~~CCAR, the California Air Resources Board, and CARB~~ and other agencies to ensure that the carbon emissions will be neutralized regardless of the actual output, ~~and~~ **Special Condition 10** will ~~ensure that the Commission can review and approve a revised submittal from Poseidon to assure emissions resulting from~~ assure that all net greenhouse gas emissions will be offset.

As described above, Poseidon's Climate Action Plan presents a variety of measures it is exploring to reduce the plant's energy consumption, in compliance with Coastal Act Section 30253(4). Although the Plan does not currently commit to specific energy minimization measures, Poseidon is still exploring its options in regard to energy minimization, and the Plan does commit to specific energy reductions.

To ensure Poseidon's proposal will minimize energy consumption in conformance with Coastal Act Section 30253(4), Special Condition 10 requires Poseidon, prior to issuance of its coastal development permit, to submit to the Commission for review and approval a revised Energy Minimization and Greenhouse Gas Reduction Plan. That Plan is to be developed in conjunction with Coastal Commission staff and staff of other interested agencies and is to describe the procedures and mitigation measures that will be implemented to minimize energy consumption of the desalination facility's ~~electrical demand will be offset.~~

~~Poseidon states that it will develop a plan to reduce the facility's energy consumption and to identify other energy minimization and greenhouse gas reduction measures. The Plan may include several types of "offsets", such as:~~

As noted above, Poseidon's Climate Action Plan further voluntarily provides a commitment that Poseidon will render the project "net carbon neutral" through measures including:

- Acquiring Renewable Energy Credits (RECs)
- Purchasing carbon offset projects
- Restoring and preserving coastal wetlands for carbon sequestration
- Providing \$1 million worth of trees for reforestation in the San Diego area.

Poseidon states that it would consider purchasing RECs, which are credits bought and sold in an open market and used to fund renewable energy sources. For example, a renewable energy provider can be credited with one REC for every megawatt it produces, and can sell its RECs to

make up some of the difference between the generally higher-cost energy produced from the renewable source and the generally lower-cost energy produced by a conventional fossil fuel source.⁸³¹⁶⁶ Carbon offsets are similar, in that they can be purchased through various market systems – non-profit or for-profit organizations, formal trading systems, etc. – and used for projects that reduce atmospheric carbon, such as energy conservation projects, methane capture, reforestation, etc. One method of offsetting carbon emissions involves sequestering carbon in growing plants, either through reforestation, or as Poseidon describes, through restoring and preserving coastal wetlands.⁸⁴ As part of its proposal, Poseidon has committed to purchase one million dollars worth of native and non-invasive trees to be planted in areas of San Diego County that were burned during the October 2007 wildfires. However, Poseidon has not provided further details about the type or amount of emission credits it would purchase or what kinds of emission reduction projects it would undertake. An additional concern is that there are only limited methods currently available for offsetting emissions, and it may be necessary to commit those offsetting measures to existing and critically needed facilities rather than a proposed and highly energy-intensive use such as this desalination facility. ~~Further, rather than use offsets, Poseidon would be better able to conform to the Coastal Act Section 30253(4) requirement by including with its proposed project an energy conservation plan that commits to specific measures it will take to minimize energy use and its associated greenhouse gas emissions. A plan focusing on onsite and offsite energy conservation measures that result in an annual 200 million pound decrease in carbon dioxide emissions would be most closely related to Section 30253(4)'s mandate to minimize energy use. If those measures are inadequate, the plan could then provide offsets for the remaining emissions.~~

Conclusion

To ensure Poseidon's proposal will avoid and offset the adverse coastal resource impacts noted above ~~and will conform to applicable Coastal Act provisions~~, **Special Condition 10** requires Poseidon, prior to issuance of its coastal development permit, to submit to the Commission for review and approval a revised Energy Minimization and Greenhouse Gas Reduction Plan. That Plan is to be developed in conjunction with Coastal Commission staff and staff of other interested agencies and is to describe the procedures and mitigation measures that will be implemented to determine the amount of carbon dioxide emitted due to Poseidon's electrical use and to ensure that that project operations are "net carbon neutral". These may include measures

⁸³¹⁶⁶ Recent REC prices have ranged from about \$5 to \$90 per megawatt-hour, with an average cost in 2006 of about \$20 (see U.S. Department of Energy, Energy Efficiency and Renewable Energy website at: <http://www.eere.energy.gov/greenpower/markets/certificates.shtml?page=1>). Based on the average 2006 cost, offsetting Poseidon's anticipated use of 250,000 megawatt-hours per year would require it to purchase \$5 million worth of RECs, equal to about \$90 for each acre-foot of water it produced.

⁸⁴ ~~To provide a comparison, the U.S. EPA and U.S. Agency for International Development Climate Technology website calculates that sequestering 200,000,000 pounds of annual carbon emissions each year requires about 75,000 acres of growing forest (see www.usetegateway.net).~~

described above and others, such as confirmed use of renewable energy sources like solar or wind power that would reduce the project's carbon footprint.

Conclusion

Special Condition 10 requires Poseidon to submit to the Commission for review and approval a Revised Energy Minimization and Greenhouse Gas Reduction Plan that addresses comments submitted by the staffs of the Commission, State Lands Commission and the Air Resources Board prior to issuance of the permit. The Commission finds that imposition of **Special Condition 10** will ensure that Poseidon minimizes energy consumption of the project and mitigates any effects of the project's emissions on coastal resources. ~~Therefore and that,~~ as mitigated ~~and conditioned,~~ the project is consistent with the requirements of Section ~~30253(4) and other relevant Coastal Act provisions.~~ **30253.** The proposed project is meant in part to respond to the threat of drought and dwindling water supplies, and with adequate minimization and compensatory mitigation measures, the project will help achieve those goals. Poseidon's revised plan shall establish that the project will avoid, minimize, or mitigate adverse impacts to a wide range of coastal resources, ~~including public access, recreation, marine resources, wetlands, ESHA, agriculture, natural land forms, and existing development associated with its minimized and mitigated energy consumption.~~ Based on the above, the Commission finds that the project, as conditioned, will conform to Coastal Act provisions related to minimizing energy use and ~~mitigating~~ any adverse effects on coastal resources from greenhouse gas emissions.

4.5.6 **4.5.6 Development and Public Services (Coastal Act Sections 30250 and 30254)**

Coastal Act Section 30250(a) states:

New residential, commercial, or industrial development, except as otherwise provided in this division, shall be located within, contiguous with, or in close proximity to, existing developed areas able to accommodate it or, where such areas are not able to accommodate it, in other areas with adequate public services and where it will not have significant adverse effects, either individually or cumulatively, on coastal resources. In addition, land divisions, other than leases for agricultural uses, outside existing developed areas shall be permitted only where 50 percent of the usable parcels in the area have been developed and the created parcels would be no smaller than the average size of surrounding parcels.

Coastal Act Section 30254 states:

New or expanded public works facilities shall be designed and limited to accommodate needs generated by development or uses permitted consistent with the provisions of this division; provided, however, that it is the intent of the Legislature that State Highway Route 1 in rural areas of the coastal zone remain a scenic two-lane road. Special districts shall not be formed or expanded except where assessment

for, and provision of, the service would not induce new development inconsistent with this division. Where existing or planned public works facilities can accommodate only a limited amount of new development, services to coastal-dependent land use, essential public services and basic industries vital to the economic health of the region, state, or nation, public recreation, commercial recreation, and visitor-serving land uses shall not be precluded by other development.

Coastal Act Section 30250(a) generally requires that new industrial development, such as the proposed project, be sited in developed areas able to accommodate it or in areas with adequate public services and where it will not result in significant adverse effects to coastal resources. The facility would be located on an existing industrial site in an area with public services provided. Coastal Act Section 30254 requires in part that development not preclude public works facilities able to accommodate only limited new development from providing essential public services. Taken together, these policies are meant to ensure, in part, that new development not outpace the ability of communities to provide necessary public services and that development be supportive of other coastal resources.

The project's capacity of 56,000 ~~acre-feet per year~~ AFY of new water supply for the San Diego region ~~would represent a substantial portion of the future supply portfolio identified in~~ is about ten percent of 500,000 AFY of desalinated water identified by the California Department of Water Resources as needed by 2030, as stated in its 2006 Water Plan Update. This Update lists the project as a potential source of desalinated water. The Metropolitan Water District of Southern California's Integrated Water Resources Plan identified a need for 250,000 AFY of seawater desalination (including 56,000 AFY from the Carlsbad project) to ensure regional water supply reliability. In addition, the San Diego County Water Authority's updated its 2005 Urban Water Management Plan ~~and would be a component of the future supply portfolio anticipated by the Metropolitan Water District of Southern California in April 2007 specifically to reaffirm the need for 56,000 AFY of seawater desalination from the project by 2011. The project is a central component of state, regional and local water supply planning to meet already-identified demand.~~

The only city within the coastal zone that the project will serve with drinking water is Carlsbad. All other entities that have contracted to purchase water from the project will utilize the water outside of the coastal zone. The City of Carlsbad has adopted a Growth Management Plan that aggressively manages and controls growth in Carlsbad. See Carlsbad Municipal Code Title 21, Chapter 90, Growth Management; Carlsbad General Plan, Land Use Element. The Plan caps existing and future development and the maximum size of Carlsbad at 54,600 dwelling units. Carlsbad Municipal Code § 21.90.185. The Plan was approved by Carlsbad voters in November 1986 and cannot be revised without a new vote. Thus, the availability of water from the project cannot and will not

induce growth beyond Carlsbad’s and the region’s limited, already planned growth and the project complies with Coastal Act Sections 30250(a) and 30254.¹⁶⁷

The proposed project conforms to Sections 30250(a) and 30254 because ~~its~~any adverse effects to coastal resources will be mitigated as described in other sections of these Findings. ~~These effects include the project’s adverse entrainment and impingement impacts, its “take” of marine life, its discharge-related effects to coastal water quality, and the effects of its greenhouse gas emissions on coastal resources, all of which will be addressed through mitigation plans that further Commission review and approval will ensure conformity to applicable Coastal Act policies.~~ Regarding growth implications, the Commission finds that ~~while the project itself does not include information needed to determine the expected rate or location of growth associated with its water production,~~ the project will not induce growth since Poseidon will be selling almost all of its produced water to various public water districts. In this instance, ~~it is the~~ use of that water by those districts ~~that will determine growth, which~~ will be subject to the applicable current and future growth plans, allowable levels of build-out, and conservation plans adopted by those districts or by the local jurisdictions they serve. The project would provide ~~an additional source of water in a region that currently depends on~~ a significant percentage of the water supply that the California Department of Water Resources has already identified as needed in the area. The project does nothing to induce growth, but rather, concentrates on providing a secure water supply for a region importing ~~about~~ 85% of its water supply from sources that are threatened and may be diminished in the future. Accordingly, the project is a needed component of and is consistent with state, regional and local water supply planning to meet an already-identified demand. As described herein and with the imposition of the Special Conditions, the project is therefore not expected to adversely affect coastal resources or induce growth in a manner inconsistent with Coastal Act Sections 30250 and 30254.

Conclusion

Based on the above, the Commission finds that the project ~~as proposed and conditioned~~ will not ~~induce~~have growth ~~within~~ inducing impacts in the coastal zone, and, as proposed and conditioned conforms to Coastal Act Sections 30250 and 30254.

4.5.7 ~~4.5.7~~ Coastal-Dependent “Override” (Coastal Act Section 30260)

Coastal Act Section 30101 states:

“Coastal-dependent development or use”² means any development or use which requires a site on, or adjacent to, the sea to be able to function at all.

Coastal Act Section 30260 states:

¹⁶⁷ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A at p. 27.

Coastal-dependent industrial facilities shall be encouraged to locate or expand within existing sites and shall be permitted reasonable long-term growth where consistent with this division. However, where new or expanded coastal-dependent industrial facilities cannot feasibly be accommodated consistent with other policies of this division, they may nonetheless be permitted in accordance with this section and Sections 30261 and 30262 if (1) alternative locations are infeasible or more environmentally damaging; (2) to do otherwise would adversely affect the public welfare; and (3) adverse environmental effects are mitigated to the maximum extent feasible.

Coastal Act Section 30260 provides for special consideration of coastal-dependent industrial facilities that may otherwise be found inconsistent with the Coastal Act's Chapter 3 policies. Such coastal-dependent proposals must first be evaluated for consistency to all other applicable policies and standards contained in Chapter 3. If a proposal is found to be inconsistent with any Chapter 3 policy, Section 30260 provides that it may be approved, notwithstanding its inconsistencies with those other policies, but only upon application of a three-part test – (1) that alternative locations are infeasible or more environmentally damaging; (2) that adverse environmental effects are mitigated to the maximum extent feasible; and (3) that to do otherwise (i.e., to deny the project) would adversely affect the public welfare.

Poseidon's proposed seawater desalination facility would be a coastal-dependent industrial facility, as it would need to be sited on or adjacent to the sea in order to function at all. ~~Additionally, as~~ As determined previously in these findings, the Commission has found that the proposed project would ~~not~~ conform to all applicable policies in the allowable use criteria of Coastal Act Section 30233(e) Coastal Act. Thus, the Commission may approve the CDP without reaching the Coastal Act "override" section, Section 30260. Nonetheless, even if the project were not consistent with all relevant Coastal Act policies, because the proposal would be a coastal-dependent industrial facility, the Commission may apply Section 30260 to "override" ~~those~~ any inconsistencies and nonetheless approve the project if the three tests of Section 30260 can be met. Each of the three tests is applied below.

Test 1 – Alternative Locations are Infeasible or More Environmentally Damaging

Under Section 30260, the project can be approved if the Commission finds there are no alternative locations that would lessen the project's environmental impacts ~~caused by the project's nonconformity to the use prohibitions of Section 30233(e)~~. Previously in Section 4.5.1 of these Findings, the Commission found that there are no feasible alternative locations that would significantly reduce any impacts of the proposed intake and the outfall.

Based on the analysis provided previously in these Findings, the Commission finds that there are no feasible and less environmentally damaging alternative locations available for the project's seawater intake and discharge components and that the proposed project meets the first test of Section 30260.

Test 2 – Adverse environmental effects are minimized to the maximum extent feasible

Section 30260's second test requires that a proposed project include maximum feasible mitigation measures ~~to address its nonconformity to the use limitations of Section 30233(c).~~ Poseidon's proposal meets this test of Section 30260 through imposition of ~~several Special Conditions meant to protect marine life and water quality and to minimize the project's effects of coastal resources due to its contributions to global warming, including~~ Special Conditions 4 (Other Agency Approvals), 8 (Marine Life Mitigation Plan), 9 (Seawater Withdrawal), 10 (Energy Minimization and Greenhouse Gas Reduction Plan); ~~11 (Public Access), 12 (Dredging), 13 (Visual Resources), 15 (Construction Plan), 16 (Stormwater~~ Storm Water Pollution Prevention Plan), ~~and 17 (Water Quality).~~ These Special Conditions and 17 (Water Quality), which, among other protections, impose requirements that Poseidon implement mitigation measures that will minimize potential adverse environmental effects to the maximum extent feasible. Those conditions will, among other things, require Poseidon to ~~implement measures that will mitigate the project's adverse effects on coastal resources to the maximum extent feasible. These include requirements that:~~ (1) prior to issuance of a coastal development permit, ~~Poseidon~~ submit to and obtain from the Commission approval of a Marine Life Mitigation Plan in the form of an amendment to the CDP that will not only fully mitigate project impacts, which were conservatively estimated and did not take into account the persistence of abundant and diverse marine life in Agua Hedionda after 50 years of EPS intake operations, but will also significantly enhance the marine environment by creating habitats for species unaffected in any manner by intake flows; (2) prior to issuance of a coastal development permit, ~~Poseidon~~ submit to and obtain from the Commission approval of a revised Energy Minimization and Greenhouse Gas Reduction Plan ~~that, which~~ will reduce ~~and offset~~ the project's ~~greenhouse~~ green house gas emissions to the maximum extent feasible through Poseidon's voluntary agreement that the project will be net carbon neutral; and; (3) submit a separate ~~coastal development permit applications for any CDP to the Commission for~~ future ~~proposed~~ dredging of ~~Agua Hedionda~~ the Lagoon to ensure the Commission can determine whether the proposed dredging would be consistent with the Coastal Act. ~~The Special Conditions also require that Poseidon submit for Executive Director review and approval a construction plan, stormwater control plan, and water quality technical report, all of which are to specify measures that will be implemented to avoid or minimize adverse water quality and marine life impacts. These conditions, as well as other mitigation measures identified in the project EIR, will ensure that~~ Poseidon contends that any maintenance dredging in the Lagoon will prevent the Lagoon from closing due to sedimentation from urban run-off. Thus, future maintenance dredging of the Lagoon will serve to enhance the marine environment and is consistent with Coastal Act Section 30233(c). Together, the Special Conditions mitigate to the maximum extent feasible the project's impacts to marine life, and will mitigate the impacts resulting from Poseidon's nonconformity to Coastal Act Section 30233(c) ~~and the resulting adverse effects on the estuary, marine life, and water quality, are mitigated to the maximum extent feasible, which requires that activities "maintain or enhance the functional capacity" of wetlands and estuaries.~~

Based on the above and on the previous Findings herein, the Commission finds that the proposed project as conditioned mitigates its impacts to the maximum extent feasible and that it meets the second test of Section 30260.

Test 3 – To not permit the development would adversely affect public welfare

Section 30260's final test provides that coastal-dependent industrial development may be permitted if to do otherwise would adversely affect the public welfare. This test requires more than a finding that, on balance, a project as proposed is in the interest of the public. It requires that the Commission find that there would be a detriment to the public welfare were the Commission to deny the project. The Commission recognizes that it is clearly in the interest of the San Diego region to develop local and reliable water sources and that seawater desalination is a part of this portfolio.

For the reasons below, the Commission finds that denial of the proposed project is not in the public interest.

- **Effects of environmental impacts on public welfare:** As shown previously in Section ~~4.5.2 of these Findings~~, 4.5.2, use of the intake ~~is not an allowable use of~~ and any maintenance dredging will serve to benefit Agua Hedionda Lagoon and would ~~not~~ conform to Section 30233(c).

~~However, through~~ Through imposition of **Special Conditions 4, 8, 9, 10, 12, 15, ~~16, 16~~ and 17**, the Commission finds that the project as mitigated will address the need to improve marine life productivity and will therefore be consistent with the goals of Section 30233(c) to maintain and enhance productivity. ~~The lagoon~~ In addition, the imposition of Special Condition 12 requires Poseidon to obtain separate coastal development permits for any proposed future dredging activities in the Lagoon. The Lagoon also provides many beneficial uses to the public that this project will support through continued and increased opportunities for public access, ongoing use for marine life science and research, and others. ~~Additionally, Special Condition 12 requires Poseidon to obtain separate coastal development permits for any proposed future dredging activities in the lagoon, which will ensure those activities conform to applicable Coastal Act provisions.~~

- **Need for the Project:** The project would provide an important and much-needed source of potable water for Southern California. Poseidon provided the Commission with newspaper reports that recognize an increased need for water in Southern California, and more specifically San Diego County, and an interest within the County to reduce demands for imported water supplies. ⁸⁵¹⁶⁸

⁸⁵¹⁶⁸ See Poseidon Resources Corporation, *Response to Staff Report*, November 9, 2007, Exh. A₂ at p. 5.

Concerns about global warming, changing weather patterns, and the resulting potential reductions in California’s water supplies have created a strong interest in developing other sources of water, including conservation, recycling, and desalination. Two recent examples of reduced imported water supplies include the May 2007 temporary shutdown of pumps in the Sacramento-San Joaquin Delta that provide a substantial portion of Southern California’s water supply,⁸⁶¹⁶⁹ and the 2007 announcement by the Metropolitan Water District that it will cut agricultural water deliveries to San Diego County by 30 percent beginning January 1, 2008. With \$1.4 billion in annual revenue, San Diego County is the twelfth largest agricultural economy among all counties in the nation, and it could be severely harmed by this reduction in water supply. The Metropolitan Water District also has warned municipal and industrial water users to anticipate water rationing if 2008 – like preceding years – is a dry year. Rationing of municipal and industrial supplies could be highly disruptive to San Diego’s \$150 billion annual economy.⁸⁷¹⁷⁰

Moreover, a number of State, regional, and local water plans identify seawater desalination, along with conservation and recycling, as part of anticipated future water portfolios. For example, the Metropolitan Water District’s Integrated Water Resources Plan identified up to 150,000 AFY of seawater desalination as part of its regional water supply reliability, and the San Diego County Water Authority’s April 2007 update of its 2005 Urban Water Management Plan identified the need for 56,000 AFY of seawater desalination by 2011.

Recognizing the importance of the project, eight water agencies – Carlsbad Municipal Water District, Valley Center Municipal Water District, Rincon del Diablo Municipal Water District, Sweetwater Authority, Rainbow Municipal Water District, Santa Fe Irrigation District, Vallecitos Water District, and Olivenhain Municipal Water District – have already contracted to purchase 100% of the project’s capacity, and have identified the project’s water supply as a component of their water plans.⁸⁸¹⁷¹

- **Public welfare as applied to public or private water supplies:** As noted in the Commission’s 2004 report, *Seawater Desalination and the California Coastal Act*:

A fundamental Coastal Act principle is that many coastal resources are imbued with a public interest and value that must be vigorously protected for the benefit of current and future generations. Unlike many coastal resources that are privately owned, ocean water, and the uses and values it embodies, constitute a public trust resource held in common for public use and enjoyment. This principle is codified in numerous federal and state laws and regulations, including the Coastal Act... Notwithstanding the public nature of coastal ocean waters, use of such waters and of living and non-

⁸⁶¹⁶⁹ See *id.*

⁸⁷¹⁷⁰ See *id.*

⁸⁸¹⁷¹ See *id.* at p. 6-7.

living resources in and under them have historically been allowed for non-public purposes.

Ocean water serves a number of beneficial uses and vital environmental, social, and economic functions. It is part of the shared public “commons”, it serves as habitat for a multitude of species, it is a source of food and livelihood for society, and it is used to support transportation, commerce, recreation, and other important societal uses. For the most part, these uses are non-consumptive and sustainable, in that using ocean water for one of these purposes does not necessarily impair its ability to be used for others.

Privatization of water supplies, in and of itself, may not cause effects on coastal resources different than those caused by a public agency. Most differences would be due to how each type of entity implements its water use. Both public and private projects may include particular characteristics that change how they affect resources and how they meet the public interest. Further, California has recognized there is a role for private water purveyors and for providers of other basic utilities such as gas and electricity. The state has a system to regulate public and private utilities to ensure that public interests are being met.

Private entities can clearly bring benefits to public agencies. One of the benefits stated by the public agencies involved with Poseidon’s proposed project is that Poseidon is willing to provide the initial capital investment and obtain the approvals needed to build and operate the facility, which can represent a significant savings to public agencies. However, this benefit comes with risks and costs, as noted by the Commission in previous decisions.

The Commission in the past has both approved and denied proposed private desalination facilities. For example, it approved a privately-owned facility on Catalina Island in part because there were no feasible alternatives for the proposal. In 1994, the Commission denied construction of a private desalination facility (A-3-SNC-94-008-E2, Sterling Center in the City of San Diego) based in part that it would result in fragmentation of public works facilities. In 1995, the Commission’s Findings for an adopted LCP amendment to the Santa Barbara Coastal Program stated: “Private desalination facilities also raise the basic policy question of the effect of allowing the proliferation of privately owned and operated water supply facilities on the ability to comprehensively plan for the provision of essential public services”. Those Findings go on to express concerns about the abilities of private owners to operate and be accountable for desalination operations, to mitigate associated impacts, to maintain the facility in a manner necessary for public health and environmental safety, and other issues. The Findings also state that proliferation of private desalination facilities could fragment public utility services.¹⁷² They conclude by stating that proliferation of such facilities where consolidation is feasible is

¹⁷² [However, the San Diego County Water Authority supports the desalination facility and passed a resolution on June 28, 2007 in support of the Project finding that “The Carlsbad Desalination Project is essential to the Water Authority’s ability to achieve the supply diversification goals contained in the 2005 UWMP \[Urban Water Management Plan\].”](#)

inconsistent with the Coastal Act. In 1997, the Commission found in its consideration of a LUP update in San Luis Obispo County that a proposed desalination facility would be inconsistent with Coastal Act policies because it would provide for continued urban development that could not be supported by existing water supplies.

The recent history of privatizing water services has identified some of these risks and has resulted in some key questions about such proposals: Will there be adequate public oversight and monitoring, and transparency in decision-making and financial issues?; What measures will ensure that ecosystem values are protected?; How will privatization affect initiatives related to water-use efficiency and conservation?; and, What happens if it doesn't work?⁸⁹173

Regarding transparency in decision-making and financial issues, both the State Desalination Task Force and the California Resources Agency have recognized that private desalination proponents should disclose the same information as that disclosed by public entities.⁹⁰174 Public water districts are required by law to publish financial statements that disclose the basis of a district's revenues, costs, cash flow, and other basic economic data that describe the financial health of the district. These statements are public documents and serve to inform the public about the basis for a district's rates, the need for additional funding for various projects, etc. Many districts provide this information on their websites, along with meeting agendas, meeting minutes, information about health and safety-related characteristics of their water supplies, and other information useful to the public to find out about its water and about the important decisions to be made about its water supply. Poseidon's water purchase agreements with the eight water districts that have agreed to purchase water from the project are public documents and, which provide the public with ~~some~~ transparency ~~about~~regarding the project's financial relationships with the districts.¹⁷⁵

~~In a recent news article (November 11, 2007, in the North County Times), Poseidon stated that it will operate at a loss until the cost of imported water exceeds that of its desalinated water, which it now believes will cost up to \$1050 per acre-foot. Given the cost trends and concerns identified previously in Section 2.2 of these Findings, it is not apparent that the cost of imported water and desalinated water will converge any time soon.~~ However, as noted previously in Section 4.2 of these Findings, Poseidon's contracts with the Carlsbad Municipal Water District provide that the Water District could assume operation or ownership of the facility if necessary. ~~Further, and~~ Poseidon is required to post securities to ensure site remediation or removal of the facility, if warranted. Additionally, Poseidon's water purchase agreements with the various public water districts primarily obligate the purchasers to buy up to a certain amount of water at a specified

⁸⁹173 See the Pacific Institute's report, *The New Economy of Water: The Risks and Benefits of Globalization and Privatization of Fresh Water*, February 2002.

⁹⁰174 See State Desalination Task Force recommendations and March 15, 2004 letter from Resources Secretary Mike Chrisman to Coastal Commission.

¹⁷⁵ See Reporter's Transcript of Proceedings, Application No. E-06-013, November 15, 2007, Agenda Item No. 7.a., at p. 275-276.

price. Decisions about use and distribution of that water will remain the purview of these public water districts. ~~Further, as noted above, because those water purchase agreements are public documents, the interested public may obtain information about the project's financial relationship with those public agencies.~~

Overall, however, the Commission recognizes the importance and the urgency in providing a reliable water supply in the San Diego region during a time of declining availability of imported water and a time of significant fiscal constraints on public water agencies. Even with regional initiatives to emphasize water conservation and to reuse existing supplies, the population and economy of the San Diego area is heavily reliant on maintaining and creating adequate water supplies such as the supply created by this facility. Further, this facility's initial development and construction costs, which are expected to exceed \$300 million, will be borne directly by a willing private entity rather than by the water districts that have agreed to purchase the water produced at the facility. ~~Even with the expected purchase prices at over \$1400 per acre-foot, and~~ the districts' ratepayers ~~are expected to will~~ benefit from this water supply at a lower cost than had the districts needed to pay directly for the facility's development and construction. Further, as noted above, the San Diego County Water Authority withdrew its proposal to construct a desalination facility at this site, leaving Poseidon as the only entity willing to undertake construction and operation. The Commission therefore finds in this case that it is in the public interest to allow private development of a portion of the region's water supply.

- **The combination of this facility and other alternatives provide for the public welfare:** The Commission also believes that in combination with a well-designed desalination facility that conforms to Coastal Act provisions, other water sources are available to provide a local and reliable water supply. These other sources, including conservation, recycling, and others, are feasible, less environmentally damaging, and are already being done to some degree in the San Diego area and elsewhere.

Regarding conservation, it is considered the least expensive and often the least environmentally damaging type of local water supply. Water users and providers in the San Diego region have already implemented a number of effective conservation measures to increase the local water supply and have recognized it as a necessary part of the regional water portfolio. For example, the San Diego County Water Authority's May 2007 draft *Blueprint for Water Conservation* states that conservation is the cheapest form of new water supplies and shows that it expects conservation to go from providing about seven percent of the region's supply (about 51,000 acre-feet per year) to about twelve percent (100,000 acre-feet per year) by 2030. As noted previously in these Findings, the Blueprint also shows that seawater desalination is expected to provide about ten percent (89,000 acre-feet per year) of the regional supply by 2030. Similarly, in March 2002, the San Diego County Board of Supervisors adopted Policy No. A-106, which emphasizes the need for water conservation as a significant part of the County's water portfolio.

The region could develop even more new water through conservation, similar to other coastal areas in California with limited local water supplies but with ongoing growth. For example, in Long Beach, conservation is expected to provide 15 percent of the water supply by 2015,

and in the Monterey County area, conservation accounts for about twenty percent of the supply. Applying those percentages to San Diego's total expected water use in 2030 would result in conservation supplies of about 125,000 to 160,000 acre-feet per year.

Although many of the region's water districts have developed effective conservation programs, there are still a substantial number of conservation measures and initiatives that could provide significant amounts of water. For example, many of the agencies that have agreed to purchase water from Poseidon are members of the California Urban Water Conservation Council, which has developed a menu of cost-effective Best Management Practices (BMPs) to reduce urban water use. These member agencies are implementing some, but not all, of the Council's fourteen adopted BMPs, suggesting that there is an as-of-yet untapped source of conservation water available. Other sources include recycling and even indirect potable reuse. Carlsbad recently reported that it is using less than half the recycled water it has available to it, which suggests it has an underused local and reliable option.⁹⁴¹⁷⁶ We note, too, for example, that the same treatment system Poseidon proposes for its facility is used in indirect potable reuse applications. The Commission expects that the use of these and other conservation measures will continue and will increase, with or without the proposed project.

Even with these conservation measures in place and with other conservation measures still available, the Commission finds that it is in the public interest for this desalination facility to provide water that augments these other sources. [Poseidon has demonstrated to the Commission that there is a looming water crisis in Southern California and a clear need for San Diego County to lessen its demand on the State Water Project and Colorado River watersheds, which were critically dry in 2007.](#)¹⁷⁷ [Eight public water agencies have already entered into long-term agreements with Poseidon to receive 100% of the supply of desalinated water from the project. These agencies have some of the most aggressive water recycling programs in the region, but they have stressed the need for desalinated water to ensure regional water supply reliability and to meet existing demands and planned-for future growth, and they have identified the project's water supply as a component of their water plans.](#)¹⁷⁸

[The entire plant's output will be put to public use by these public agency partners, ensuring that the water will remain in the public domain. Public agencies will continue to control the allocation and use of the water, so local government oversight will be preserved. Under Poseidon's contracts with each public water agency, the customers' price of water](#)

⁹⁴¹⁷⁶ See Carlsbad's 2007 *State of Effectiveness Report*.

¹⁷⁷ [See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at p. 5.](#)

¹⁷⁸ [See Poseidon Resources Corporation, Letter to State Lands Commission Executive Director re: Desalination Project's Impact on Imported Water Use, November 8, 2007 \(including attachments from water districts\); Poseidon Resources Corporation, Carlsbad Desalination Project Briefing Package, CDP Application No. E-06-013, November 2007.](#)

will not exceed the price that the customer would have paid for the imported water supply from the San Diego County Water Authority. Thus, any rate increases determined by the public agency partners would have occurred in the absence of the project.

The region expects further restrictions in the amount of water being imported to the area. If the restrictions are as severe as expected – i.e., reductions of up to about 30% — it will need to rely on conservation, desalination, and other means to make up the water deficit. This facility is therefore a necessary and integral part of the region’s water portfolio.

• **Public benefits resulting from increased shoreline access opportunities:** In addition to the above public welfare benefits, the project will result in increased access to the shoreline of both Agua Hedionda Lagoon and the Pacific Ocean. As part of its project, Poseidon has offered to dedicate for public use four sites totaling about 15 acres on or near the shore of both the Lagoon and the ocean.

The dedicated areas will not only provide greater public access to formerly private ocean and Lagoon-front property, but will provide additional opportunities for recreation, fishing, and marine research.¹⁷⁹ Uses of the dedicated areas would include a fishing beach, coastal access, a fish hatchery expansion, aquatic research and public parking. One of the Coastal Act’s primary goals is to maximize public access and recreational opportunities along the coast^{92,180}, and the Project’s public access aspects support that goal. These dedicated areas will provide greater public access and recreation opportunities to the shoreline of both the Lagoon and the ocean. Through the imposition of **Special Condition 11**, which requires that, prior to starting operations of the desalination facility, Poseidon ensure these parcels are dedicated for public access and recreation as described in the City’s Precise Development Plan #PDP 00-02, the Commission ensures these access improvements will be implemented. As conditioned, the project would therefore provide adequate conformity to the Coastal Act’s public access provisions.

In addition, Poseidon’s operations and its assumption of the responsibility for maintenance dredging and stewardship of the Lagoon after the Encina power station is decommissioned will prevent Lagoon sedimentation from urban run-off from closing-off the Lagoon in five to seven years, and the nearly complete loss of existing beneficial uses thereafter.¹⁸¹ Thus, the project preserves access to the Lagoon, which would be lost in the project’s absence.

¹⁷⁹ See Poseidon Resources Corporation, Response to Staff Report, November 9, 2007, Exh. A at p. 4, 26.

^{92,180} See, for example, Coastal Act Section 30001.5, which states in relevant part: “The Legislature further finds and declares that the basic goals of the state for the coastal zone are to... (c) Maximize public access to and along the coast and maximize public recreational opportunities in the coastal zone consistent with sound resources conservation principles and constitutionally protected rights of property owners.”

¹⁸¹ Comparative Analysis of Intake Flow Rate on Sand Influx Rates at Agua Hedionda Lagoon :Low Flow vs. No-Flow Alternatives, Dr. Scott Jenkins, September 28, 2007.

Based on the above, the Commission finds that the proposed project meets the final test of Section 30260.

Conclusion

The Commission recognizes that the San Diego region is clearly in need of reliable and local water sources. Although ~~this coastal-dependent industrial facility does not conform to the use prohibitions of~~ the Commission has found that the project, as conditioned, conforms with all applicable Coastal Act ~~Section 30233(e)~~ policies, the Commission has determined through applying the three tests above that the project also conforms to the ~~“override” provisions provided for such projects by~~ requirements of Coastal Act Section 30260. The Commission therefore finds that by meeting the requirements of these three tests and with imposition of the Special Conditions described previously in these Findings, the project conforms to all applicable Coastal Act policies.

5.0 CALIFORNIA ENVIRONMENTAL QUALITY ACT

On June 13, 2006, the City of Carlsbad certified an Environmental Impact Report for the proposed project. In addition, Section 13096 of the Commission’s administrative regulations requires Commission approval of CDP applications to be supported by a finding showing the application, as modified by any conditions of approval, to be consistent with any applicable requirements of the California Environmental Quality Act (CEQA). Public Resources Code Section 21080.5(d)(2)(A) prohibits approval of a proposed development if there are feasible alternatives or feasible mitigation measures available that would substantially lessen any significant impacts that the activity may have on the environment.

As discussed above, the proposed project is consistent with ~~the requirements~~ all applicable policies of the Coastal Act. Pursuant to these Findings and the review conducted ~~by~~ in the City of Carlsbad’s EIR, the project includes all available and feasible measures to avoid or minimize significant adverse environmental impacts. There are no feasible alternatives or feasible mitigation measures available that would substantially lessen any significant adverse impact that the activity would have on the environment. Also, there are no new significant adverse effects of the project, and no new information involving new significant adverse effects has been presented. Therefore, the Commission finds that the proposed project, as conditioned, is consistent with the requirements of CEQA.

APPENDIX A: SUBSTANTIAL FILE DOCUMENTS E-06-013

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Coast Law Group. June 4, 2007 letter to California State Water Resources Control Board re: Seawater Desalination Intakes and Once-Through Cooling Regulations.

Coast Law Group, letter to State Lands Commission re: Carlsbad/Poseidon Ocean Desalination Project, October 29, 2007

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- Final Environmental Impact Report
- Verification of All Other Permits or Approvals Applied for by Public Agencies
- City of Carlsbad Resolution No. 2006-156 - EIR 03-05
- City of Carlsbad Resolution No. 420 - RP 05-12
- City of Carlsbad Ordinance No. NS-805 - SP 144 (H)
- City of Carlsbad Ordinance No. NS-806 - PDP 00-02
- Planning Commission Resolution No. 6093 - SUP 05-04
- Planning Commission Resolution No. 6092 - CDP 04-41
- Planning Commission Resolution No. 6090 - DA 05-01 / Development Agreement, Finding of Fact
- CEQA Mitigation Monitoring and Reporting Program for the FEIR
- Planning Commission Resolution No. 6094 - HMPP 05-08
- Planning Commission Resolution No. 6088 - PDP 00-02
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- San Diego Regional Water Quality Control Board, Order No. R9-2006-0065 ("NPDES Permit")

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- Poseidon Resources Corporation. Coastal Habitat Restoration and Enhancement Plan (including attachments), October 9, 2007.
- Poseidon Resources Corporation. Updated Response to Coastal Commission's September 28, 2006 Request for Additional Information, Section 13, CDP Energy Use, GHG Production & Mitigation, October 9, 2007.
- Poseidon Resources Corporation. Transmittal of Intake Cost Estimates, October 17, 2007.
- Poseidon Resources Corporation. Climate Action Registry CO2 Conversion Calculation, October 18, 2007.
- Poseidon Resources Corporation. Updated Response to Coastal Commission's September 28, 2006 Request for Additional Information, Section 13, CDP Energy Use, GHG Production & Mitigation, October 21, 2007.
- Poseidon Resources Corporation. Transmittal of GHG Emission Baseline Protocol, October 22, 2007.

- Poseidon Resources Corporation. Transmittal of SDG&E GHG CCAR Report 2005, October 22, 2007.
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- Poseidon Resources Corporation. Transmittal of Garibaldi Study and Coastal Development Permit for Southern California Edison and San Dieguito River Valley Joint Powers Authority's San Dieguito Wetland Restoration Plan, November 7, 2007.
- Poseidon Resources Corporation. Letter to Chairman Krueger and Honorable Commissioners Attaching Draft Proposed Conditions of Approval, November 7, 2007.
- Poseidon Resources Corporation. Letter to State Lands Commission Executive Director Re: Desalination Project's Impact on Imported Water Use, November 8, 2007, including the following attachments:
 - Carlsbad Municipal Water District. Letter to State Lands Commission Executive Director Re: Desalination Project's Impact on Imported Water Use (including attachments), November 7, 2007.
 - Valley Center Municipal Water District. Letter to State Lands Commission Executive Director Re: Desalination Project's Impact on Imported Water Use (including attachments), November 6, 2007.
 - Rincon del Diablo Municipal Water District. Letter to State Lands Commission Executive Director Re: Desalination Project's Impact on Imported Water Use (including attachments), November 6, 2007.
 - Rainbow Municipal Water District. Letter to State Lands Commission Executive Director Re: Desalination Project's Impact on Imported Water Use (including attachments), November 6, 2007.
 - Sweetwater Authority. Letter to State Lands Commission Executive Director Re: Desalination Project's Impact on Imported Water Use (including attachments), November 6, 2007.
 - Vallecitos Water District. Letter to State Lands Commission Executive Director Re: Desalination Project's Impact on Imported Water Use (including attachments), November 6, 2007.
 - Santa Fe Irrigation District. Letter to State Lands Commission Executive Director Re: Desalination Project's Impact on Imported Water Use (including attachments), November 7, 2007.

- Olivenhain Municipal Water District. Letter to State Lands Commission Executive Director Re: Desalination Project's Impact on Imported Water Use (including attachments), November 6, 2007.

● Poseidon Resources Corporation. Letter to T. Luster Transmitting State Lands Commission Hearing Presentation, November 8, 2007.

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- Exhibit A: Response to Staff Report
- Exhibit B: Correction of Staff Report Misstatements, Inaccuracies and Omissions
- Exhibit C: Draft Proposed Conditions of Approval
- Exhibit D: Climate Action Plan, November 2007
- Exhibit E: Requested Additions to Substantive File Documents

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