

# Otay pins water hopes on Mexico plant

## Two domestic projects are put on hold pending big Baja desalinization project

By [Aaron Burgin \(/staff/aaron-burgin/\)](/staff/aaron-burgin/) 3:49 p.m. Oct. 10, 2011

The Otay Water District has shelved two local water projects to focus its resources on a proposed desalination plant in Mexico that Mexican officials say has many hurdles to clear before approval.

The plant is proposed by NSC Agua, a partnership of American and Mexican investors and a publicly traded utilities company in the Cayman Islands, Consolidated Water.

It would be built next to the Presidente Juarez power plant in Rosarito Beach, where it would take seawater used to cool the power plant's turbines, extract the salt and distribute the finished product to customers throughout Baja California and the southwest U.S.

The \$500 million project would ultimately process 100 million gallons a day, twice as large as the Poseidon Corp. desalination plant planned in Carlsbad.

Otay officials hope to be a customer of the plant in Mexico and purchase 15 million to 25 million gallons per day to help meet the district's needs of 40 million gallons per day. Otay would tap water after needs were met in Mexico.

The water district has awarded a \$4 million contract for an engineering firm to study the plan, and spent \$674,000 on \$585-an-hour lobbyists and \$175-an-hour consultants. The project faces several key challenges.

First, the private plant and its 25-mile pipeline have to gain regulatory approval and get built in Mexico. Second, Otay will have to gain regulatory approval for its pipeline on this side of the border. That includes obtaining a presidential permit, one step shy of a treaty, issued by the State Department.

The whole endeavor is expected to cost \$35 million for Otay, the water agency for 200,000 people in Spring Valley, La Presa, Rancho San Diego, Jamul, eastern Chula Vista and eastern Otay Mesa.

Anticipating success, the district in August suspended two less-ambitious projects:

- A plan to purchase 4 million gallons a day of untreated water from the San Diego County Water Authority, which it would have treated. The plan called for the district to build a new pump station and pipeline, which would cost nearly \$12 million.
- A \$1.8 million study of a plan to extract just under 1 million gallons a day from the Sweetwater River Basin for irrigation.

"If the Rosarito desal project becomes operational, then it may preclude the need for this project," a district report said of each project in August. "Hence no additional expenditures are planned."

Mark Watton, Otay's general manager, said the district's staff suspended the projects because they were too expensive for the amount of water they would get. The desalination project, he said, has the best chance of reaping Otay the most water for the same cost as imported domestic water.

"If desal doesn't work, we might look at them again," Watton said. "But we have to make some priorities, and at this time, Rosarito Beach has a pretty good path toward success."

Efraín Muñoz, director of the Baja California State Water Commission, said NSC Agua has not approached the commission about supplying water to its service area, which includes Tecate, Tijuana and Rosarito.

Officials with the federal Comisión Nacional del Agua, or Conagua, said the proposal would be 20 times larger than the country's current largest desalination plant in Cabo San Lucas.

"We don't think a project that size is feasible," Adriana Rodriguez, who manages Conagua's binational desalination efforts, said of the NSC Agua project. "If they insist on moving forward, we have to see what they plan to do to mitigate those impacts."

Both Watton and Consolidated Water CEO Frederick McTaggart disagreed with that assessment. McTaggart said locating the facility next to the power plant — which already draws water from the ocean — should alleviate some of the environmental concerns.

Watton compared the project to the 1995 milestone water transfer agreement between the Imperial Irrigation District and San Diego County Water Authority, of which he was a board member at the time.

“At the time we had people lined up to tell us all the reasons such a deal would not be feasible,” Watton said. “Today that water is flowing to San Diego and was a large factor in the Southern California region having a more reliable supply during these last few drought years.”

If NSC Agua is able to get the approvals, representatives said there are no guarantees on how much water Otay could purchase after it satisfies its Mexican customers, which have priority. NSC estimates that 40 million gallons would remain after Mexican customers receive their allotment.

Half of the NSC Agua partnership is Baja California-based Norte Sur, composed of both Mexican and American investors.

The principal investor is Gough Thompson Jr., a Rancho Santa Fe resident and a former consultant who advised large corporations such as Hyundai and in the Middle East on desalination efforts.

Another Norte Sur Agua investor is Victor Vilaplana, a San Diego attorney and former member of the San Diego Port Commission.

Vilaplana and Thompson declined to disclose the names of the Mexican investors.

“At some point, we might be able to disclose those, but there are a number of issues, including safety concerns,” Vilaplana said. “What we can say is that NSC Agua is a private company, we have a board of directors that meets regularly, and this is a privately funded project.”

Both Thompson and Vilaplana said that none of the board members have financial ties to any Otay officials.

NSC Agua, Thompson said, has brought a number of big-name partners to the table: Doosan, a Korean corporation, is interested in building it. Carollo Engineers of Walnut Creek, Calif., has signed on as its designer. He said the group is in talks with French investment house BNP Paribas to finance it. A Carollo official confirmed involvement with the project. A BNP spokeswoman said the bank declined to comment. Emails to Doosan media representatives were unreturned.

“I think we’ve put together a first-class consortium,” Thompson said. “These are the best in the industry and have built the biggest plants in the world.”

A number of groups are prepared to oppose different aspects of the project.

The Utilities Community Action Network, a San Diego-based utilities watchdog group, questioned Otay’s decision to invest so much in a project with so many unknowns, especially at the expense of finding local sources of water.

“Everyone is trying to reduce their reliance on imported water,” said David Pepper, an attorney with the group. “The idea that you are postponing or delaying projects that would increase local water supplies for a potential imported source that may or may not come to fruition makes no sense.”

The executive director of Wildcoast, a binational coastal conservation organization, attacked the project from policy and environmental fronts. First, Serge Dedina said, Mexico has no policy on the placement of desalination plants in Baja. Second, the proposed source of the water is from one of the region’s most polluted stretches of coastline, where water quality is not monitored.

“We should not be talking about buying water until we are absolutely clear the ocean water quality is as clean as it can be,” Dedina said. “Another big policy question is who is that coastline for? Is it for Mexico and development that positively impacts Mexico, or is it going to become a wall of infrastructure to serve the U.S. water market?”

Watton said the district is aware of the hurdles, which is why it is moving slowly on its end in terms of the study of the project. The district would halt its work if it could not guarantee at least 15 million gallons a day from NSC Agua, Watton said.

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