



February 12, 2018

Santa Clara Valley Water District Board of Directors
Santa Clara Valley Water District
5700 Almaden Expressway
San Jose, CA 95118

RE: Agenda Item 4.3. Consider Recycled Water Committee's Recommendation on Public-Private Partnership (P3) Procurement Options and Select an Option for the Expedited Purified Water Program, Project No. 91304001.

Dear Chair Santos and Directors, LeZotte, Hsueh, Kremen, Verela, Estremera and Keegan:

Poseidon Water LLC ("Poseidon"), is the coordinator of one of the short-listed entities for the Public-Private Partnership ("P3") for the Purified Water Program (Program) based on the 2016 Request for Proposals. We were notified that the Santa Clara Valley Water District (District) intends to re-issue a Request for Qualifications (RFQ) early this year to expand the list of P3 entities that was established in June 2016. Poseidon was pleased to find that as one of the two firms that were originally shortlisted as part of the January 2016 RFQ process, we will remain on the shortlist for the RFP process, and will be provided the opportunity to submit additional materials/information to affirm our qualifications.

On your February 13th Board Agenda, you have **Item 4.3. Consider Recycled Water Committee's Recommendation on Public-Private Partnership (P3) Procurement Options and Select an Option for the Expedited Purified Water Program**. This agenda item includes consideration of:

1. The Recycled Water Committee's (RWC) recommendations from the February 8th meeting. At that meeting they unanimously approved a motion that stated:
*"Options B and C be sent to the full Board;
Option B to include identification of the full team;
A Project Labor Agreement (PLA) be required in the process;
The District provide stipends; and
Staff would make a recommendation on Options B or C or a hybrid of B and C."*
2. Staff's recommendation to proceed with Option B.

Poseidon provides these comments on Item 4.3 of the February 13, 2018 agenda for the Santa Clara Valley Water District Board ("Board") meeting.

Poseidon Water LLC

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POSEIDON COMMENTS: Poseidon respectfully requests that the Board approve proceeding with the Program as recommended by the RWC and Staff.

Poseidon supports:

- The RWC's recommendations sending forward to the full Board Options B and C along with a request for a Staff recommendation on those Options as sound recommendations responding to the Board direction in December.
- The RWC recommendations, following common practices, of including PLA provisions and providing stipends in the RFP process.
- Staffs' recommendation to proceed with Option B.

Poseidon's Summary Comments

Option B and C are the preferred options as both are responsive to Board's direction of early involvement of P3 partner, the key differences between the two options are that under Option B, the P3 entity selects its "best team" and price, risk allocation, and major terms and conditions are based on a transparent open-book approach process between the District and the P3 team.

Under Option C, the District participates in the selection of the "best team" with the P3 entity bidding out the engineering, construction, operations & maintenance and debt financing of the project to qualified entities with the participation of the District in the selection process.

Since the key difference in Options B and C is the District's participation in the selection of the team, Poseidon believes that it was important for Staff to recommend the approach they would prefer.

In summary, Poseidon strongly believes that the early selection of the P3 partner, as recommended by the RWC and Staff in Option B, is critically important to capture the benefits of this type of collaborative approach, including:

- The P3 partner can propose innovative development plans, and the District can select the most desirable before the scope and costs are completely defined;
- The Parties can work together and share costs by cooperating on feasibility studies, environmental studies, preliminary engineering, investigation of construction methodologies, regulatory compliance, permitting, financial planning, and developing an open-book costing model; and

- Early involvement allows the private partner to co-invest in project planning and design, technical studies, and environmental clearance.

Poseidon will have a representative at the February 13th, 2018 Board meeting where we hope to be able to interact with the Committee, the Staff, other interested parties and the public.

Sincerely,



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