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February 12, 2018

Via email to bredmond@valleywater.org

Ms. Beth Redmond, Capital Program Planning and Analysis Unit Manager
Water Utility Division
Water Utility Enterprise
Santa Clara Valley Water District
5750 Almaden Expressway, San Jose CA 95118

Re: Comments on P3 Options, Expedited Purified Water Program

Dear Ms. Redmond,

Thank you for the opportunity to provide comments on options for a Public-Private Partnership (P3) procurement for the District's Expedited Purified Water Program. As a private Investor-Operator of water infrastructure with over \$9 billion worth of assets in North America, EPCOR believes a P3 delivery method for this project can offer significant value to the District.

Definition of the District's private partner core team (Investor-Operator and Design-Builders) early in the procurement process, which Option B best allows, provides the greatest advantage to the District for incorporating best available design and construction considerations in the Program planning. The primary challenge with Option B is the degree to which pricing is used to make a selection among short-listed teams. On a project of this scale, any effort to prepare even a basic estimate of project costs will require a significant at-risk financial investment by each project team. A robust stipend payment to non-successful teams would be necessary to off-set this cost and so ensure meaningful competition. Were the project fully defined, permitted, Rights-of-Way secured, etc., this pricing approach would be reasonable. However, this is not the case. A significant value of the P3 procurement method is the collaboration by the District and its private partner to optimize the envisioned project on life-cycle cost basis, taking into consideration not only design and construction elements, but also long-term O&M factors and key risk allocations that directly affect the overall cost of capital. Therefore, EPCOR recommends the District select a private partner team it trusts based on its qualifications, work with that partner to optimize and finish developing the project, and then negotiate the price of the finalized project based on the preferred risk allocation.

EPCOR's perspectives are derived from its substantial P3 experience and success, which we hope the District finds of value as it considers its path forward. Please do not hesitate to contact me at 505.633.8060 or dbaillet@epcor.com if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "DBaillet". The signature is stylized and cursive.

Daniel Baillet
VP Business Development
EPCOR Water (USA) Inc.