



April 6, 2018

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

**RE: 2.6 Public Hearing - Annual Report on the Protection and Augmentation of Water Supplies - February 2018 and Recommended Groundwater Production and Other Water Charges for Fiscal Year 2018-2019 (FY 2018-19).**

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 Expedited Purified Water Program (EPWP) based on the 2016 Request for Proposals. On your April 10<sup>th</sup> Board meeting agenda you have several items related to the District's water supply program including recycled and purified water. Understanding that the District has focused on expanding potable reuse education and outreach, including a Potable Reuse social media plan, Poseidon offers the following comments related to the Annual Report on the Protection and Augmentation of Water Supplies - February 2018 and Recommended Groundwater Production and Other Water Charges for Fiscal Year 2018-2019:

#### **POSEIDON COMMENTS AND SUGGESTIONS**

1. The current report includes using a P3 approach for both the EPWP and the Long Term Purified Water Program which is a change from the initial report that included the P3 for just the EPWP. This change makes sense since Staff had identified that the P3 approach would reduce future water charges by as much as \$80 million in the year 2027. One of the major effects of a P3 approach is to reduce the debt service requirements which for the entire non potable reuse program may be as much as \$20 million in 2028 (a 15% reduction). **Poseidon suggests that documentation of the debt service reduction and rate reducing effect of using a P3 approach for the entire potable reuse program should be provided in the report to support this positive change.**
2. The current report tends to emphasize the P3 aspect of the EPWP which in Poseidon's experience is not the usual practice with water agencies we have worked with in the past. **Poseidon suggests that the District emphasize the EPWP and non-potable reuse as an augmentation of local water supplies and perhaps not so much on how it is being delivered.**

#### **Poseidon Water LLC**

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3. The Cost Projection in this report shows for the cost center P3 Water Services Agreement about \$50 million for the EPWP project procured through a P3 process in 2025 and then about \$100 million in 2027 with the addition of the Long Term Purified Water Project. Poseidon suggests that the report note that this is a change in showing the capital and operating costs which would have been associated with other cost centers in the past and should not be seen as one of the largest sources of water charge increases since it actually reduces water charge costs compared to other procurement approaches.
4. The assumption about a P3 approach for the EPWP and the Long Term Purified Water Program from the current report, if approved, should be incorporated into the District's Capital Improvement Program Water Supply Master Plan Update.

In summary, Poseidon believes that the Annual Report on the Protection and Augmentation of Water Supplies - February 2018 and Recommended Groundwater Production and Other Water Charges for Fiscal Year 2018-2019 is an important communication and education tool for the District. The Board and Staff should consider clarifying the way potable water reuse is addressed in this report to assist in that outreach effort.

Poseidon will have a representative at the April 10th, 2018 Board meeting where we hope to be able to interact with the Board, the Staff, other interested parties and the public.

Sincerely,



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