

**Santa Clara Valley Water District
Survey Responses
Dual Track Procurement Process
Expedited Purified Water Program**

Entity #1

1. How would you characterize your level of interest in the program?

Very high. We will be a prime subcontractor teamed with a design Engineer.

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process

Unfamiliarity with the process which can lead to a protracted decision making resulting in schedule delays.

b. Program implementation

Our interest is focused on the progressive design-build approach. Experience on past projects found that some organizations like the opportunity to engage in design development but are not well prepared to commit to the pace of decision making.

3. What would increase your level of interest?

Abandon the dual approach. I doubt that the P3 approach is going to provide cost advantages on a project of this size. Consequently, I believe the Districts best interest would be to evaluate both delivery methods and select one! (another example of my often mentioned need for clear and prompt decision making)

Entity #2

- 1. High*
- 2. Making a decision "between" the dual tracks.*
- 3. Making a decision on the dual tracks early in the procurement process i.e., no later than the RFQ stage.*

Entity #3

- 1) *We are very interested to participate in the procurement.*
- 2) *Getting enough qualified solicitors to propose within the short timeframe between December 2015 and January 2016.*
- 3) *Perhaps provide a bit more time, and a clearer understanding of the selection process/criteria*

Entity #4

1. How would you characterize your level of interest in the program?

High

2. What do you see as the most significant issues for the District in terms of:

- a. **Procurement process**
- b. **Program implementation**

None

3. What would increase your level of interest?

No Comment

Entity #5

1. How would you characterize your level of interest in the program?

Entity #5 is highly interested in the Expedited Purified Water Program if implemented through a Public Private Partnership (P3). As a large publicly traded water and wastewater utility company in the United States and with a large presence in California, we are able to offer significant expertise and value to the District. We have experience in large projects that integrate design, build and long-term operations and maintenance (O&M) and believe these types of projects are an innovative and effective project delivery method.

Entity #5 wants to be involved early and often in the design process. This allows us to evaluate the project from a full lifecycle cost perspective and compare various innovative technologies in order to optimize long-term costs. The active role of the operator in the design can significantly reduce the overall cost of the project over the term and ensure a smoother hand-over and operation.

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process

The District is beginning the procurement process in advance of completing important technical due diligence and partnership agreements with other agencies that may change the nature of the P3 contract. The result of these studies and contracts will inform bidders' prices and schedules so the District and its advisors will need to be flexible with bid submission to accommodate the unknown information. The District could look at sharing the pricing risk depending on the outcomes of these activities.

A dual-track procurement asks bidders to spend significant development dollars with a lower probability of success than in other pursuits. For example in a typical P3 or Design-Build procurement, each bidder will face up to three competitors. In this process, each bidder will face up to five competing teams while simultaneously bidding on unknown information. The District will attract more bidders if it is able to limit the size of each bidder's submission thereby reducing the overall at-risk expenditure of bidding teams. One alternative is for the District to award a development agreement to the winning team in which only the successful bidder develops a full financial model and delivery plan in cooperation with the District once the due diligence and partnership agreements are completed.

b. Program implementation

It will be important for the District to have public support for its chosen delivery method. If the District selects a P3 delivery method, it will have to gain alignment with the labor unions. Entity #5 is experienced with union labor and welcomes the opportunity to work with them if required under the contract.

3. What would increase your level of interest?

Certainty that the project will (1) move forward and (2) proceed under the P3 approach with a private finance option would increase Entity #5's interest. By including the financing element in the project, the risk apportionment is more transparent and inherent. A proposer with capital invested has "skin in the game" and has aligned interest around asset design and upkeep.

Entity #5 will continue to follow the District's progress in resolving.

Entity #6

1. How would you characterize your level of interest in the program?

Entity #6's level of interest in the program is high for a number of reasons.

- *As one of the California's (and the nation's) largest and most experience contractors, we have a history of delivering projects on - time and on - budget for good clients, on good projects with good partners – including water projects. This is what we do.*
- *Indirect Portable Reuse projects will need to be completed to help solve the local, regional and statewide water demand challenges facing California. This program represents the first large scale effort to bring IPR to the market in northern California.*
- *We've successfully completed traditional bid-build contracts with the Santa Clara Valley Water District (the District). The District is a client that we like to work with and have a great deal of respect for.*

We are closely monitoring the procurement of this important program. However, it is unlikely that we will participate unless the District develops a plan that resolves the issues we have outlined below.

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process

The District needs to:

Clearly define the project to be built. There is some confusion regarding the actual scope of work to be built. The District needs to evaluate the various components of the project and clearly define them for industry to respond to. Clearly communicating the scope of work and allowing industry sufficient time to form teams, will assure the District gets strong teams that will meet all of the project requirements.

Provide clear guidance and division of responsibility on the CEQA and NEPA permitting requirements.

Prior to the start of procurement, the District should evaluate contract delivery methods and select the most appropriate method. The District should not complete a value for money analysis as the natural outcome of a public procurement. But rather, complete an internal value for money analysis, select a delivery method and then procure the project using that preferred delivery method. This will increase market interest and competition while lowering upfront development cost for the District.

Present their selected approach to the design and construction industry so that fully functional teams can be formed to meet the project's needs.

b. Program implementation

This project represents the first foray by the District into alternative delivery methods, to the best of our knowledge. Efforts at doing anything the "first" time are typically burdened with challenges and obstacles associated with a learning curve, regardless of the quantity or quality of support one surrounds themselves with.

We suggest that the District ensure that the right minded people will be placed in critical positions to assure the program's success.

The District should retain the services of advisors with proven experience on large capital projects.

Clients implementing alternative delivered projects for the first time, can be challenged with the design development, review and approval process. Given the Districts strong bid-build culture, we wonder if the benefits of design-build will really be nurtured and embraced.

3. What would increase your level of interest?

The District should consider successfully completing a smaller project or two using an alternative delivery methods before implementing a larger program.

Regarding the IPR program, the District needs to:

-Clearly define the scope of work,

-Select a delivery method and run a procurement tailored to that delivery method,

-Clearly define the roles and responsibilities for obtaining the required permits that allow the project to be built, and

-Allow team's sufficient time to form, after the Districts intentions are clearly defined and made public.

Thanks for this opportunity to provide our input and shape what we hope will be a successfully program. Please let us know if we can provide additional input or assistance.

Entity #7

How would you characterize your level of interest in the program?

Our level of interest is very high but dependent on terms of the District's procurement process. Specifically, we applaud the district in its thinking about solicitation of solutions that respond to broad performance targets. But we are somewhat hesitant, pending a fuller understanding of the procurement process, to spend considerable resources preparing a proposal for one type of project delivery considering the layered risks of (1) potential for the project to go forward at all and (2) unknown preferences among decision makers for delivery method (BD vs DBFOM).

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process:

To the extent possible, the District's procurement process should:

-request creative solutions that meet service level requirements as opposed to tight engineering specifications,

-make the ultimate selection process and criteria for selection as clear as possible as early in the process as possible,

-avoid creating preferences for one project delivery method over another by virtue of the procurement procedure, selection process, selection criteria, or other factors,

-be prepared to compare proposals and make a selection across different DB and DBFOM respondents recognizing the difficulties of making apples-to-apples comparisons across them

-clarify individual component costs rather than subsume reclamation plant costs in the costs of other elements.

b. Program implementation:

-Achieving as high a level of certainty as early in implementation as possible around matters that are best resolved publicly, such as rights of way for pipelines, certain permits, negotiations that guarantee certainty around wastewater inputs

-Setting clear implementation milestones as well as incentives for beating them and penalties for missing them that are symmetrical

-Enabling whomever your private partner may be to operate freely within the boundaries of responsibilities assigned to that partner while working as a team to provide whatever public obligations and timelines that may be agreed as part of the project delivery process

3. What would increase your level of interest?

A single track for project delivery, preferably P3.

Entity #8

How would you characterize your level of interest in the program?

Entity #8 is very interested in the program and project. SCVWD is an important client of the firm, we have been following this project for a while and have provided the District and its advisors with information on Public Private Partnerships for the past 2 years. We have reviewed the public reports on the SCVWPC, including those prepared by Clean Energy Capital and we are appreciative of the opportunity to be involved in the thoughtful and deliberate process that SCVWD is undergoing. Entity #8 is a financial services firm, however, and we are not in the design, build, operations or maintenance business, so our participation in the project likely will be either as one of SCVWD's financing partners and/or bankers for a design-build financing approach or as an advisor and/or financing partner to a prospective bidder for a the design-build-operate-finance-maintain approach. We still appreciate being able to receive the communications for monitoring purposes.

What do you see as the most significant issues for the District in terms of:

Procurement process:

As we mentioned above, our role is generally limited prior to the capital planning and financing stage. One issue that we would like to point out is that in the past we have seen certain design build firms and equity providers hesitate to commit significant resources to the dual track formula which the District is contemplating. From their perspective, these projects require a lot of time and cost, both real dollar and opportunity cost of working on other projects. The delta in time and cost between a simpler design-build project and the design-build-operate-finance-maintain project is significant. Uncertainty as to which program will go forward makes the process more difficult from their perspective. As such, we believe it will be to SCVWD's benefit to select a preferred delivery method as soon as comfortably possible.

Program implementation:

None at this time.

What would increase your level of interest?

We will continue to monitor the project going forward and are reaching out to relevant partners. We foresee having growing interest as the project moves forward.

Entity #9

1. How would you characterize your level of interest in the program?

As one of the most active and market-leading participants in the US Public-Private Partnership ("P3") market and an internationally experienced P3 developer, Entity #9 is very interested in pursuing the Santa Clara's Expedited

Purified Water Program Project, if it is procured via a design, build, finance, operate and maintain (“DBFOM”) delivery method. Entity #9 is a long-term equity investor and asset manager and therefore only participates in projects that require long-term private financing, such as DBFOM projects. Notable Entity #9 success stories in California include being sole developer of a large Courthouse Project in California and lead developer of a large Parkway Project. Entity #9 will form a consortium of companies for the Project and its role in such consortium will be that of a developer, long-term equity investor and asset manager, remaining at all times in partnership with the public sector through the entire contract term.

Entity #9 is very interested in the development of the project in an efficient manner for the benefit of the Santa Clara community. We believe that a DBFOM procurement would be the most effective way to make sure the project is delivered on time and designed from the perspective of the long term operations.

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process

A dual procurement route will be difficult to run and evaluate.

b. Program implementation

We feel confident that we will team with the right partners so that we can meet all the needs of the Program. We find it to be in the best interest of the public sector and taxpayers to stimulate competition. Competition is optimized when a public agency has set a clear course and is advised by specialists who have previously and successfully assisted government on similar transactions. Competition fosters innovation and properly managed innovative processes lead to superior service and reduced costs for rate payers.

3. What would increase your level of interest?

We believe a clearly defined scope of performance requirements would help us mobilize innovation for the whole life delivery of the project. We believe it would be in industry’s and the public interest to select a delivery method prior to initiating procurement.

Entity #10

1. How would you characterize your level of interest in the program?

We are keenly interested in acting in the role of providing debt financing to either the Santa Clara Valley Water District (the “District”) in case the Progressive Design-Build

(“PDB”) delivery option is selected or the Concessionaire in case the Design-Build-Finance-Operate-Maintain (“DBFOM”) delivery option is selected.

Both Entity #10 California-based Water Utility and New York-based Infrastructure Project Finance teams have been closely monitoring the District’s development of the Expedited Purified Water Program and includes discussions with both District staff and advisors over the past year. During these discussions, we have exchanged our ideas and thoughts regarding the trade-offs between the two delivery options based on our industry knowledge and other considerations regarding the District’s procurement approaches. Our experience working with the Santa Clara Valley District and with infrastructure project financings more generally is summarized below.

Santa Clara Valley Water District Long-standing Relationship

Entity #10 has extensive experience in the issuance of municipal bonds for water agencies. Since 2013 Entity #10 has been senior manager for \$3.96 billion of water-related bonds across the country. The Entity #10 team has accrued an extensive history helping the Santa Clara Valley Water District fulfill its financing needs.

Entity #10 Infrastructure Project Finance Expertise

Entity #10 has a long history of leadership in both financing and investing in public and private infrastructure projects across all sectors in the U.S. market. Specifically, with respect to the water sector in California, Entity #10 has led several transactions including a large Desalination Project, for which Entity #10 served as Joint Lead Bookrunner and Senior Manager for \$743 million of AMT and Non-AMT bonds and a large Water and Wastewater Facilities Project, for which Entity #10 served as Lead Placement Agent for \$146 million of Senior Secured Notes. Entity #10 has expertise in structuring large, complex P3 transactions and performing the specialized market demand, technical, financial, and legal due diligence required to provide committed financing for developers and sponsors. Over the past five years, Entity #10 has arranged, underwritten and placed over \$6 billion of tax-exempt and taxable bonds for DBFOM projects.

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process

b. Program implementation

Procurement Process Considerations:

1. *The dual-track process with likely result in several potentially highly qualified teams' not submitting because of the uncertainty regarding the decision of the District in pursuing either PDB or DBFOM form of delivery.*
2. *Given that proposal submissions typically cost several millions of dollars to prepare and assuming the District continues to pursue a dual-track process, the District should consider offering a stipend to the submitting parties to help mitigate the cost risk of preparing proposals for a delivery method that is not ultimately selected by the District.*

Additional Considerations with respect to Procurement Implementation:

1. *State and local regulations regarding the usage of PDB and DBFOM. Regulatory limitations may relate to project eligibility, ways for handling unsolicited proposals, non-compete clauses and contract lengths.*
2. *Required permits, regulatory approvals, and responsible party for securing approvals. We note that the District has an RFP outstanding for CEQA and permitting support services, with responses due in mid-January. Determination of a NEPA exemption is ongoing. In addition, the City of San Jose's NPDES discharge permit (expected May 2016) will be critical to determining the Purified Water Program's capacity and costs.*
3. *Degree of involvement of the District during the design and construction of the project.*
4. *Degree of additional District outside support such as consultancy, project management resources / external advisors, if needed, to support each delivery option. We note that the District has established seven agreements with consultants to the Purified Water Program, with three remaining contracts to be awarded in the first half of 2016.*
5. *Measurement and sharing of various risks among the District and contractor(s) associated with the design and construction of the project*
6. *Degree of design flexibility allowed during procurement process.*
7. *Degree of monitoring and oversight required to maintain quality.*
8. *Degree of capital intensiveness of the project's activities that determines upfront costs.*
9. *Contract terms to help ensure project is completed on-time and within budget.*
10. *Evaluation methods and quantification of outcomes / results – measuring success.*
11. *Potential issues (conflicts of interests) arising between the District and the contractor(s) / private sector and establishment of dispute*

resolution methods.

3. What would increase your level of interest?

We are highly interested in providing debt financing under either delivery methods selected by the District. Once a delivery method is selected, Entity #10 will assign a specialized banking team to support either a PDB public funding option or a DBFOM private funding option. We look forward to continuing to monitor the District's progress in the development of its Expedited Purified Water Program and participating in the District's delivery procurement process going forward.

Entity #11

Entity #11 is a global investment bank with specific expertise in advising public sector entities in running P3 procurement processes. As you may know we are also an underwriter for local agencies. We are replying to your questions from the advisory perspective, and offer the following thoughts:

- 1. We are very interested in participating in this program, if there is a role for a financial/process advisor to the Water District.*
- 2. It will be difficult to get P3 investors to do serious work on proposals until they know they have a shot at winning. Running a parallel PDB/P3 process dilutes their chances by a factor of two. Further, approaching investors without having engaged a credible, experienced financial/process advisor will raise additional questions about the seriousness of the P3 procurement. Investors spend substantial amounts of money and resources pursuing bids, and will prioritize the projects they want to pursue based upon (among other factors) the certainty of closing. It may be more effective to take a step back and thoroughly evaluate the two procurement paths under consideration, then decide on one or the other and proceed accordingly.*
- 3. We would be happy to respond to an RFP for financial/process advisors, or to meet with you outside of an RFP process to discuss our response to item 2 in more detail.*

Entity #12

1. How would you characterize your level of interest in the program?

We compliment the District on the initiative to accelerate this ambitious Expedited Purified Water Program, a necessary investment to address the need for drought resiliency locally where the real solutions must occur. Our interest in Progressive Design Build (PDB) for the SVAWPC Expansion and for the Purified Water Pipeline is

very high. Our interest in a P3 approach is also high, if it includes only the SVAWPC Expansion. An explanation of our tentative interest in a P3 approach is explained in our response to **Question 2.a**.

Our consulting business, Entity #12, is very excited about these opportunities given our position as a large water/wastewater designer in California. Our work on indirect as well as direct potable reuse solutions across the State puts us in a position to move the program forward quickly within the parameters of California regulations in this area. Entity #12 has been recognized as a pioneer in advancing similar water reuse systems in California beginning with our design for a Water Factory in the 1970's, the precursor to a current Groundwater Replenishment System in California where we managed the implementation of Phase 1. Our team has also been working closely with a large Water District in southern California for the past five years in planning what is anticipated to be the largest recycled water facility in the State. Add to these our current role as Manager for a large Pure Water Program and a host of other recycled water assignments in California, Nevada, and Florida, Entity #12 understands the mission of SCVWD from planning through commissioning and long-term operation.

Our construction team partnered with another large entity for this opportunity and represents one of the largest wastewater contractor in the US (ranked no. 1 by ENR several times), teamed with one of the largest contractors in the Bay Area. We bring a very deep bench of California-based resources to self-perform the critical mechanical and controls elements of this project, as well as an unsurpassed familiarity with the local subcontractor market in the South Bay.

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process

Given the scope and size of this project, we recommend the District carefully consider the minimum qualifications it sets out for prequalification of treatment plant contractors and P3 firms. Presently, there is no shortage of companies who profess to have P3 capabilities and have access to large amounts of capital available for programs such as the Expedited Purified Water Program. However, in our opinion, access to capital by itself does not qualify a firm to implement this program. We believe California experience with treatment plants, recycled water distribution and related infrastructure as well as State recycled water regulations are of greater importance to the program.

We also see a challenge for the District in selecting a P3 team for the pipeline component of the program in advance of completing the environmental permitting. Cost proposals that are based on assumptions of permit conditions will be invalid if the conditions change and the original assumptions are not correct. Because the permit and environmental mitigation conditions will be unknown at the time of the proposal submission, we believe it will be practically impossible for the District to evaluate the P3 proposals from a cost standpoint.

This issue is much less of a concern for the SVAWPC Expansion. For this reason, our interest in a P3 approach is high if it includes only the treatment plant and low if it includes the pipelines.

b. Program implementation

The California water/wastewater market is currently very active and is forecast to significantly increase over the period of the program. The availability of resources amidst an escalating market creates a challenge for implementation. We suggest the District carefully evaluate the proposers' grasp of this situation and the resources each proposer has locally to manage its team over the life of the contract.

3. What would increase your level of interest?

First, if the District were able to clarify the anticipated P3 scope vs. conventional or alternative delivery scope without the alternative financing overlay, this would allow us to better define and focus our preparations and approach.

Second, we are aware of a few firms that have had prior and/or ongoing involvement with definition and development of the program, which, in our opinion, should trigger a further examination by the District on potential conflicts of interest consistent with California State law. This could lead to the disqualification of those firms from participation in the delivery of the program before it becomes an issue later in the procurement process and causes delay. We would have greater interest if the District were to confirm that such firms are in fact ineligible to compete for the program delivery. Third, we would find it helpful to better understand the District's position on the term of operations for the portion of the program to be delivered as a P3.

Entity #13

1. How would you characterize your level of interest in the program?

Because of the dual track process it is difficult to commit to a lengthy and very costly process. If the listed concerns are addressed accordingly then our interest level will be higher. It would be very difficult for the Entity #13 team to participate in a meaningful way if they are not adequately addressed.

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process - *The most difficult issue is how the District will make a comparison of two very different procurement processes of public private partnership and a progressive design/build. A decision on the delivery path should be made much earlier in the process and ideally prior to beginning the qualification solicitation.*

b. Program implementation - *The lack of formal agreements with the wastewater agencies on effluent supply and discharge of brine in advance of the RFQ/RFP process*

make it difficult to determine what problems may be experienced with program implementation.

3. What would increase your level of interest?

- a. If the District made a decision as to which track they would pursue prior to releasing a request for qualifications then our interest would increase.*
- b. Prioritize the projects identified in the RWMP and develop and a specific procurement process for each of major project components according to their priority.*
- c. Provide results of groundwater studies, brine discharge studies, operations studies and other information critical to understanding permit conditions prior to RFQ/RFP process.*
- d. Develop partnerships with wastewater agencies prior to RFQ/RFP process.*

Entity #14

As a trusted partner to the District for over 20 years, and as an industry leader in water reuse, we are very interested in the District's Expedited Purified Water Program. Having worked with the District on its most complex water treatment projects, we would appreciate the opportunity to work with you once again to develop and implement a program that provides the best solution to the District's needs. We have successfully completed more than 250 water reuse projects, many in California, including some of the most visionary and technically sophisticated advanced water treatment facilities, such as the initial concept development and design of a very large Groundwater Replenishment System in California.

We are a full service and integrated design-build contractor and as such we are particularly interested in the progressive design-build (PDB) procurement track of the Program. About one third of our annual revenue is from the implementation of water infrastructure projects via alternative delivery, particularly design-build. In the last 10 years, we have delivered more than \$3.5 billion in design-build and construction of water and wastewater projects.

We will also consider joining a P3 consortium should the District decide to pursue a P3 procurement path. We anticipate our role on a P3 consortium to focus on our strengths in the areas of planning, design, permitting, construction, and start up activities.

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process

Issue: Increased resource needs from the District to manage/implement two procurement processes.

The P3 and Progressive Design-Build procurement tracks are very different from each other and will require different expertise to manage/implement the procurement processes. A higher burden will be placed on District staff even if consultants are hired to help the District with the procurement.

Issue: Mixed message to marketplace by following dual procurement track.

Responding to this procurement will involve a significant investment from the respondents. The District may not get the best responses due to the uncertainty associated with which track the District will end up choosing.

Issue: P3 procurement process will likely lengthen the Program schedule

For such a large size program, the P3 model may take 9-12 months longer than the Progressive Design-Build model to complete the procurement, contract negotiations, and start the project.

b. Program implementation

Issue: Risk Management

Overall, risk allocation can be managed effectively through various alternative delivery models depending on risk quality and quantity and the associated costs with risk transfer.

PDB allows for collaboration between the District and the design-builder to optimize facilities design and to allocate risks to the party best equipped to reduce the cost to manage the risk. Through the use of open book risk contingencies, PDB avoids overpaying for risk transfers.

District costs of transferring risks for cost overruns and schedule delays to a P3 party may pose a little more challenge than the pure PDB path.

Issue: Cost Control

P3 path may end up more costly due to the fees that will be added by a private entity on the financing element.

PDB affords more opportunity to collaborate during project implementation to control costs.

PDB will have lower financing costs.

PDB likely has better options for securing grants.

Issue: District Involvement/Control of Program Implementation

First phase of PDB is essentially the same as what the District is accustomed in the tradition design-bid-build procurement model, providing a high level of District control over the design of facilities.

PDB provides plenty of opportunity for District input/involvement in design/implementation issues.

P3 contractual arrangements tend to be complex and costly to unwind.

Issue: Potential for Negative Public Perception

In other places there has been public pushback against increased water rates on projects that were privately financed.

3. What would increase your level of interest?

Entity #14 Response: We are very interested in the program and stand ready to submit on the PDB procurement track of the Program.

Entity #15

As a leader in the design, construction and operation of water and wastewater facilities in California, throughout North America and across the globe, Entity #15 has followed the development of the Purified Water Program with keen interest. As an integrated program manager-designer-builder-operator, we are capable of assisting the District in implementing this Program regardless of which delivery method the District may chose and have extensive experience with all forms of water and wastewater project delivery. In particular, Entity #15's Public-Private-Partnership (P3) experience encompasses a variety of both water and wastewater and transportation projects in the United States, Canada, Australia, and elsewhere around the world, beginning in the late 1990's and extending to the present day.

We applaud the District for its creative approach to procuring and ultimately delivering this complex Program. The District's procurement approach incorporates a very progressive procurement method that should result in a higher value-add outcome for

its stakeholders. Our level of interest is very high, and we look forward to the upcoming RFQ release.

With respect to “what we see as the most significant issue,” we share some concern around the dual-track procurement. We recognize the value of evaluating multiple delivery options in the context of identifying the most risk efficient and ultimately most cost effective solution, but we have not generally seen Owner’s successfully achieve closure on water/wastewater procurements that have run down two parallel paths at once, at least not without significant schedule delays.

One thought with respect to “increasing our level interest” might be a very similar approach to the one outlined in the District’s summary document, however, employ a single track procurement, for example:

- Issue a single-step, qualifications-based procurement process to select a team that is fully capable of delivering the program, regardless of delivery approach. The selected team should have Program Management, design, build, operations and financing capabilities and experience.*
- Once selected, have the team partner with the District and advisors, using a progressive-design-build model, to progress the program design to a level of detail to sufficiently define the project for costing purposes – say to a 30% level of design completion.*
- At that point, conduct a complete Value for Money and Risk Allocation Analysis of delivery options, including traditional, design-build, design-build-operate and P3 options.*
- Based on the outcome from this analysis, determine the most appropriate approach based on this Value for Money and Risk Allocation Analysis and proceed into the next phase which could include progressive design/build, P3 Proposal Development or other alternative delivery process as prescribed by the team’s analysis.*

By adopting a single track procurement that accommodates a full spectrum of delivery options and lays out an efficient pathway toward an effective delivery method evaluation, the District will greatly simplify the front-end procurement process, retain complete control over the entire process, and ensure the ability to transact on the preferred alternative in a timely manner. This process results in a tangible set of project alternatives with fully resolved design, engineering, pricing, and financing alternatives that can inform a decision and be readily adopted at the District’s discretion. By selecting a trusted team at an early stage to collaboratively assess all available procurement, operations, and financing options, this approach provides the District with the greatest opportunity to reduce lifecycle costs and accelerate project delivery under a partnership umbrella.

Thank you for the opportunity to provide these comments, we truly appreciate all the work that the District and advisors have put into creating such a progressive and creative procurement approach. We are interested in this project and look forward to the RFQ. Please do not hesitate to contact us to discuss these issues in more detail and we look forward to the next steps of this procurement.

Entity #16

Entity #16 thanks you for your inquiry on our thoughts for Expedited Purified Water Program. Entity #16 believes that the projects being analyzed are particularly important, given continued water shortages throughout the State of California. We believe that completing the projects as quickly as possible is imperative to further enhance system reliability until state-wide projects (such as the Delta Fix) enter more mature stages of planning, engineering and construction. At the convenience of the Santa Clara Valley Water District, we are happy to further discuss our stance and interest with the District and feel that our prepared statement best addresses our thoughts and outlook towards the proposed program and projects.

Entity #17

1. How would you characterize your level of interest in the program? – Very interested

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process – *Limited history/experience in procuring CIP projects via Alternative Project Delivery and PPP methods.*

b. Program implementation - *Implementing large scale water recycling/reuse programs is relatively new and associated permitting/regulations are still evolving.*

3. What would increase your level of interest? - Consider moving away from a Progressive DB model and towards a Fixed Price DB approach. This will provide the best potential cost and allow the DB teams to exercise the most potential for creativity thus benefitting the rate payers.

Entity #18

Entity #18 is a US headquartered developer, investor and manager of some North American infrastructure assets. Entity #18 focuses on high value added projects where the team can leverage its construction and asset management experience to generate attractive risk adjusted returns. Over the past 15 years, the team has experience

financing, underwriting and managing over 45 infrastructure projects valued at over \$60 bn. We offer the following responses to your questions:

1. How would you characterize your level of interest in the program

We are very excited about a P3 opportunity to Design, Build, Finance, Operate and Maintain (DBFOM) a world class facility for water purification program at the Santa Clara Valley Water District (SCVWD).

2. What do you see the most significant issues for the district in terms of

a. Procurement: *While we are excited to participate in a P3 procurement for SVAWPC, we believe that a dual track procurement that includes both DB and P3 option is suboptimal from both owner's and developer's perspective. It may appear to be a more cost efficient competitive process on the surface, however similar approaches by other agencies has shown that such dual track procurements likely cost more time and money, reduce the opportunity for project innovations and diminish competition as compared to a well-defined DB or P3 procurement. We recommend that SCVWD further compare the values offered by the two delivery approaches in a context of SCVWD's goals and objectives and proceed with a preferred approach. A large number of studies and tools, including Value for Money (VfM) already exist that can be utilized for this purpose.*

b. Program Implementation: *The program appears to be well defined and given that SCVWD already has implemented a similar plant, even though it is smaller than the one envisioned here, we do not see much issue in the program implementation.*

3. What would increase your level of interest?

While we are highly interested in the P3 option, we have some concern that a dual track procurement approach may give rise to confusion and hence indecision. Obviously, this is not a desirable outcome and one approach to minimize this possibility is by selecting a preferred approach before embarking on a procurement. If a dual track procurement is not avoidable due to SCVWD's internal policy decision or other factors then we recommend that the stipend for non-winning teams should be higher than a typical P3 procurement to compensate for a much higher risk (for the bidders) in a dual track procurement.

Entity #19

1. How would you characterize your level of interest in the program?

From materials available on the District's procurement website and information contained within Clean Energy Capital's ("CEC") Preliminary Evaluation of Program Delivery Methods report (the "Report"), we understand that the Program involves the expansion of the Silicon Valley Advanced Water Purification Center ("SVAWPC") and development of the Purified Water Pipeline along with the integration of local recharge ponds and injection wells. In doing so, the District aims to create up to 45,000 acre-foot per year ("AFY") of potable reuse water, to be used primarily for aquifer recharge. Furthermore, we understand that the District is considering conducting a dual-track procurement process in order to determine if the Program should be delivered via a Progressive Design-Build ("PDB") or Public-Private Partnership ("PPP") method. We believe this Program represents an important step towards alleviating some of the adverse conditions induced by California's long-standing drought.

Entity #19 has a strong interest in the project, in particular we would be interested in the Program if it involves private finance and/or development activities, for example through an integrated Design-Build-Finance-Operate-Maintain ("DBFOM") process. With this type of delivery option, Entity #19 would team with one or more contractors, designers, an operator and consultants (collectively a "Consortium") to deliver the highest Value-for-Money solution. More specifically, Entity #19 would envisage its role as that of an equity sponsor / developer and financial advisor to the Consortium.

US and global precedents support the cost reduction and bid efficiency characteristics that have come to define the success of Public-Private Partnerships. The nature of the PPP method ensures that the District's objectives are aligned with the Consortium selected to deliver the Program while maintaining proper risk allocations. Additionally, a PPP protects the Owner by requiring project contracts to contain meaningful developer performance incentives and penalties.

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process

We understand that the District's intent with the dual-track procurement is to explore multiple delivery possibilities and gather additional information before making a decision on the final delivery approach. This is likely to create concern among potential proposers about whether an opportunity will ultimately be available for them to bid on, depending the procurement approach chosen. The dual track approach could dissuade otherwise interested parties from submitting a bid, especially if the response requires proposers to expend significant resources. A dual-track procurement also involves

additional work and cost for the District (for example: multiple procurement documents to develop, more bidding teams to interact with and answer questions from). Running both processes may also put pressure on the District and its advisors' ability to effectively examine and vet bidder proposals for feasibility and fit or require additional time for evaluation (offsetting the schedule benefits which are one of the objectives of using an alternative procurement approach).

We recommend that the District decide on a delivery approach before beginning its procurement process. We believe that this will increase interest in the project especially among the strongest and most qualified proposers. In particular this will be important for investors/financing parties and O&M firms as they would have a role under one approach (DBFOM) but not under a DB-only delivery approach. We further recommend that PPP/DBFOM delivery be the chosen approach for either all or a portion of the project. Among the important benefits would be:

- Lifecycle cost optimization: the PPP approach requires designers and contractors to work with an operator to ensure that these lifecycle costs are integrated into a combined proposal;*
- Cost and budget certainty: in a PPP, payment to the developer/contractor is only made upon successful performance (meeting fixed milestones and successful operation of the system) which improves the District's ability to enforce cost and schedule guarantees; and*
- Long term "warranty": transfer of ongoing performance risk is achieved in a PPP, effectively a warranty for the full term of the contract, this can be particularly important for complex components such as the treatment facilities.*

If it is important for the District to incorporate components of the progressive design-build approach which allow for greater design flexibility and ongoing input / change then this can also be done within the framework of a DBFOM contract. However, in addition to the ongoing input of the DB team, a long term operator would also be at the table while key design decisions are being made to ensure that O&M and lifecycle considerations are taken into account. Private financing could be raised once the final GMP price is agreed or potentially earlier in the process with flexibility for adjustment once the price is final. We would be pleased to discuss with the District in greater detail how key components of a progressive design build approach could be integrated into a DBFOM, as this is a model we have implemented on other projects.

Additionally, any Program documents should be as close to final when released for bidder consideration. Technical requirements should be specific enough to clearly define the Program's final deliverable and District objectives but should still allow for flexibility that promotes cost reduction through design efficiencies. To prevent excessive legal negotiation, we would also recommend that the District's expectations concerning

commercial terms (e.g. structure, risk transfer, liquidated damages, etc.) be based on precedent from other PPP/DBFOM projects. Lastly, communication between the District and proposers is recommended to be frequent and decision making processes should be clear and well developed in order to streamline expectations for all parties and help guarantee procurement deadlines are met.

b. Program implementation

From initial information available we have identified the following issues or considerations with respect to implementation of the Program. As a development and financing party, our focus is on the contractual and financial, rather than technical, aspects of the project. In addition our feedback is focused on the scenario in which the Program is delivered as a PPP as that would be the scenario in which Entity #19 is likely to participate, however a number of the considerations apply to other delivery methods as well.

1) Minimize number of contracts unless components are operationally separate. In order to reduce integration risk, it is preferable to have as much of the project as possible delivered through one contract, this would also reduce the project management and contract administration burden on the District. To the extent that scope is physically and operationally separate then a separate contract may make sense (ex: Ford Recharge Ponds IPR) although it would not be required.

2) Provide flexibility to proposers through an output based specification. In order to promote innovation the District should focus the technical requirements on required outcomes (ability to treat and recharge/inject specified volumes) rather than the details of how these are achieved. Under a DB contract a greater level of specification may be required in order to ensure that proposers do not make decisions which save money initially at the expense of long term costs, however in an integrated PPP/DBFOM contract these trade-offs can be made by each team and are evaluated on a net present value basis. This is one of the ways in which PPPs promote and facilitate innovation.

3) Incorporate long term operations and maintenance input. This is particularly important for treatment facilities and other technically complex components of the project. A PPP procurement will ensure that this happens, it remains equally important in a DB procurement however it requires additional steps in order to ensure the input (either from District staff, consultants or a third party operator) is incorporated into the design decisions.

4) Interface between existing assets and new facilities. We understand that the SVAWPC and potentially other parts of the project will involve new or upgraded facilities that are integrated with existing facilities. This presents additional challenges including how to manage the interface risk, which parties takes risk on latent defects or other

deficiencies within the existing assets and the role and responsibility of employees working at the existing facilities. There is precedent for addressing these issues from other PPPs in ways which can work for all stakeholders including existing employees, we recommend early discussion and engagement with proposers on these issues in order to arrive at appropriate solutions.

5) For a PPP delivery in which payment is made to the private developer over time, it is important that such payment be performance based and related to factors under the reasonable control of the developer. An availability payment approach, in which payment is tied to performance and availability of the facility but not the volume of water treated or transported, is one way to do this which could be appropriate for this project. If developers are asked to take risk or be paid based on the volume of water treated then it will be important that they have as much control over volumes as possible or that volumes be reasonably predictable and not subject to significant change or curtailment based on external factors.

6) Reducing financing costs. While it is a common perception that PPPs involve a higher cost of finance this is not always the case, especially when considered on a like for like basis. The inclusion of private equity will involve a modestly higher cost but the impact of this can be managed in a variety of ways and it is important to recognize that this cost is a reflection or risk assumed (and therefore not borne by the District). In addition, the District can pay for a portion of the project through milestone or construction payments which reduce the amount of private financing required. Often this is done when grant money is available (for example from state or federal sources) but another option is for the District to borrow a portion of the funds based on its general credit and contribute that money as milestone payments. We recommend that no more than 50% of capital costs be funded in this way in order to preserve the risk transfer of a DBFOM contract. Finally, it is important to note that access to tax exempt PABs and WIFIA funding may further reduce any differential in financing costs between a DBFOM and DB delivery, and the District should consider structuring to accommodate such funding.

The issues identified above are based on our current understanding of the project, as further information is available and the project advances through its development, we would expect to be able to provide additional and more detailed feedback. For example, we understand that some partnership agreements with the city of San Jose have yet to be fully negotiated that are critical to the Program's execution and some issues surrounding potable reuse capacity with neighbouring Bay area water agencies will eventually need to be resolved; understanding the timing for resolution and decisions on these items would be beneficial to proposers.

3. What would increase your level of interest?

The most important factor which would increase our level of interest is clarity with respect to the procurement and delivery method. We recommend that a decision regarding DB or DBFOM delivery be made prior to significant investment of time and

resources by proposers. Ideally this would be prior to initiation of the procurement (RFQ), however if that is not possible then we recommend that between the RFQ and RFP the District undertake a structured engagement process in which shortlisted teams could provide feedback on commercial and technical issues which the District considers important to making its decision on delivery model. After such feedback the District could decide on its preferred delivery approach and issue the RFP for only the selected delivery approach. This would provide greater clarity to proposers which will help to attract the widest range of qualified firms to the procurement. In addition, it will benefit the District by reducing the time spent during the RFP process and in evaluation of proposals, we have found that public agencies sometimes underestimate the time and effort required to meaningfully engage with a large number of teams in a complex procurement.

In addition to clarity on procurement approach, more information on the scope and size of the project which would be privately financed (in a PPP) and approach to O&M scope would both be beneficial for our evaluation of the project.

We appreciate the opportunity to provide our feedback on these points and would be happy to clarify or discuss further if that would be helpful to the District.

Entity #20

1. How would you characterize your level of interest in the program?

Entity #20 is very much interested in the Expedited Purified Water Program and has been tracking the progression of the program for some time. As a seasoned water infrastructure treatment project contractor we are eager for the opportunity to showcase the value that Entity #20 can offer the District with regards to this program. We have completed greater than \$2B in alternative delivery method treatment facilities and certainly can speak to the benefits thereof. In fact, we met with Katherine Oven, Deputy Operating Officer in November of 2015 to shed some light on the Entity #20 resume as well as understand some of the important factors of consideration by both District staff, as well as the Board of Directors.

2. What do you see as the most significant issues for the District in terms of:

a. Procurement process

Admittedly, a dual procurement approach is new and something we have not seen before. Without question, Entity #20 believes in the progressive design-build delivery method and can attest to the successful delivery on previous projects. This form of delivery offers so much benefit to the District including: greater Owner involvement and control, flexibility with regard to alternatives and options, as well as the ability to contract a final guaranteed maximum price at any given design milestone while still holding only a single contract with the design-builder.

Entity #20 is also well versed in the public-private-partnership (P3) delivery method and have had great success in this arena as well. However this tends to thrive more in the commercial and industrial markets, more than that of the municipal world. We are seeing glimpses of various Owner's looking at this form of delivery for water infrastructure opportunities however they are far and few between. The abilities to defer capital cost from the District's debt is the key component to this decision and how this may or may not affect the District. Furthermore in discussions with Mrs. Owen it appears as though the District has significant operations and maintenance capabilities even further reducing the need for a P3 delivery. Typically, a municipal Owner who has limited or no ability to operate a facility will benefit with this delivery method and is constructing the facility as a means to meet customer demands without expanding the breadth of the Owner.

Either delivery method will be a positive experience for the District, however we do feel this project is better suited for the progressive design-build delivery.

b. Program implementation

Regardless of delivery method selected, the District should be commended for looking for ways outside of traditional design-bid-build as the program will certainly gain from the collaboration, innovation and teaming each of these will offer the program. As far as schedule concerns, a strong emphasis would be placed on the progressive design-build delivery as the preferred as this gives both the District, as well as Design-Builder greater flexibility with regard to a construction NTP, and ultimately a project completion date.

3. What would increase your level of interest?

Entity #20 is committed to pursuing this project and will with certainty submit on the progressive design-build request for qualifications. At this stage, it is unlikely that we would submit on both due to the costs associated with each statement of qualifications, coupled with our preference to see the project delivered under the progressive design-build model.

As always, please do not hesitate to contact us with any comments, questions or otherwise. We are looking forward to the release of the Request for Qualifications and hope to show how Entity #20 can truly share your vision and bring this program to completion.