CONFORMED COPY

BOARD AGENDA MEMO

SUBJECT: Work Study Session for Expedited Recycled and Purified Water Program – Project Delivery Method Evaluation

RECOMMENDATION:

Receive and discuss information related to the project delivery method evaluation for the District’s Expedited Recycled and Purified Water Program (Program).

SUMMARY:

As part of the water supply portfolio for meeting the needs of Santa Clara County, the District is developing the Purified Water Program (Program). In collaboration with the City of San Jose, the agencies developed the South Bay Water Recycling Master Plan (SBWR Master Plan) to explore expansion of the Program. The report was completed in December 2014 and presented to the Board at a work study session on March 12, 2015. The SBWR Master Plan had a completion date for the expansion in 2025.

The State of California is experiencing exceptional drought conditions. Santa Clara County has been relying on conservation (Board call for 30% conservation) to manage the drought, but as the drought conditions continue, the groundwater basin is at risk of subsidence which will impact the economy and infrastructure of the county.

On March 12, 2015, staff presented a plan for accelerating the expansion of the Program that will deliver up to 45,000 acre-feet per year (AFY) for indirect potable reuse (IPR) to supplement groundwater recharge from other existing sources (imported and local stored water). Subsequently on April 28, 2015 the Board authorized single source contracts with RMC Water and Environment for preliminary engineering work, Todd Groundwater Inc. for groundwater studies, Main Technology Modeling Group for operations studies, Carollo Engineers Inc. Consultants for pursuing grant funding opportunities, contract amendments with Katz & Associates Inc. for public outreach, and MWH Americas Inc. to update the SBWR Master Plan, in a cumulative not to exceed amount of $10 million.

A component of the plan for accelerated development of the Program is streamlining the project delivery methods. This work study session is to provide the Board and public with information on the following project delivery methods:

- Design-Bid-Build (DBB);
- Design-Build (DB);
- Design-Build-Finance-Operate-Maintain (DBFOM);
- Water Purchase Agreement (WPA); and
- Franchise/Concession Agreement (FCA).
A powerpoint presentation on the above project delivery methods is provided as an attachment to this agenda memo. Staff will evaluate the various methods and constraints and present recommendations on the project delivery methods to the Board at the July 28, 2015 Board meeting.

**FINANCIAL IMPACT:**

The staff recommendation to receive and discuss information related to the District’s Recycled and Purified Water Program has no financial impacts.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect change in the physical environment.

**ATTACHMENTS:**

Attachment 1: PowerPoint Presentation
Expedited Recycled and Purified Water Program: Delivery Method Evaluation

June 18, 2015
• David Moore
  • SDCWA – Carlsbad Desalination Project (WPA)
  • OCWD – Huntington Beach Desalination Project (WPA)
  • County of Hawaii – Waste-to-Energy Project (DBFOM)
• Hired May 2015
  • Review alternate delivery methods
  • Consider potential benefits of public/private partnerships
  • Identify potential risks and mitigants
• Board Study Session on June 22
• Final Report Scheduled for July 28 Board meeting
To identify and compare potential delivery methods for the District’s Expedited Recycled and Purified Water Program (the “Project”)

Public Delivery Methods:

- Design-Bid-Build ("DBB")
  (District’s historic method)
- Design-Build ("DB")

Private/Private Partnership ("P3") Delivery Methods

- Design-Build-Finance-Operate-Maintain ("DBFOM")
- Water Purchase Agreement ("WPA")

This presentation is for informational purposes only
➤ no Board action is requested
Section 1  Project Overview
Section 2  P3 Overview
Section 3  Review of Delivery Methods with Examples
Section 4  Comparison of Delivery Methods
Section 5  Applicability to the Project
Section 6  Next Steps
Section 1
Project Overview
The Project

Proposed IPR/DPR Purified Water Expansion Projects

Legend:
- IPR Purified Water Pipelines
- DPR Purified Water Pipelines
- Existing Recycled Water Pipelines
- Future Recycled Water Pipelines
- Recycled Water Pipelines
- Exposed Water Pipelines
- Laminated Water Pipelines
- Recycled Water Outfall
- Water Treatment Plant
- Water Pumping Plant
- Pump Station

Map showing locations of Palo Alto WPCP, Sunnyvale WPCP, Expanded SVAWPC, Mid-Basin Injection Wells IPR, DPR to Central Pipeline, Sunnyvale IPR, Apple Campus 2, Los Gatos Recharge Ponds IPR, Westside Injection Wells IPR, Ford Recharge Pond IPR, Coyote Pump Station, and other facilities.
Timeline

PRELIMINARY TIMELINE WITHOUT CEQA EXEMPTION AND PERMIT STREAMLINING

Year/Month


1 2 3 4 5 6 7 8 9 10 11 12 1 2 3 4 5 6 7 8 9 10 11 12

Purified Water Projects

Operations Studies (Maine)
Groundwater Studies (Todd Engineers)
Pursue Grants and Other Funding (Carollo/Gutierrez)
Outreach (Katz & Associates)
SC RW Master Plan Amendment (MWH)
Financial Services to Evaluate Public-Private Partnerships
Project Management Services (may continue)
Legal Services
Brine Studies (if needed)

CEQA would require approx. two years
Note: Without CEQA exemption, construction shown below would be delayed approximately one year.

SVAWPC Exp. - Design

Sunnyvale IPR* - Design & Construction

SVAWPC Expansion - Construction
Ford IPR - Design & Construction
Mid-Basin IPR - Design & Construction
Los Gatos IPR - Design & Construction
Westside Injection Wells - Design & Construction

Outreach

Public Outreach

= Securing Contract. This includes Request For Qualifications (RFQ), negotiations, and contract execution.
= Conducting Work. This includes work prepared by consultant(s).
= Work underway.

*Note: The Sunnyvale IPR Project Schedule may be extended to 2025.
(Rev. 5/5/2015, 2 pm)
## Proposed IPR Projects - Estimated Costs

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Ford Recharge Ponds IPR</td>
<td>4,200</td>
<td>$60-$140</td>
<td>$70</td>
<td>$4.0</td>
</tr>
<tr>
<td>Mid-Basin Injection Wells IPR</td>
<td>5,600</td>
<td>$120-$280</td>
<td>$140</td>
<td>$3.5</td>
</tr>
<tr>
<td>Los Gatos Recharge Ponds IPR</td>
<td>20,200</td>
<td>$210-$520</td>
<td>$260</td>
<td>$10.0</td>
</tr>
<tr>
<td>Westside Injection Wells IPR</td>
<td>5,000</td>
<td>$100-$240</td>
<td>$120</td>
<td>$4.0</td>
</tr>
<tr>
<td>Sunnyvale IPR</td>
<td>10,000</td>
<td>$170-$420</td>
<td>$210</td>
<td>$2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>45,000</strong></td>
<td><strong>$640-$1600</strong></td>
<td><strong>$800</strong></td>
<td><strong>$23.5</strong></td>
</tr>
</tbody>
</table>

*Source: South Bay Recycling Water Recycling aster Plan. Association for the Advancement of Cost Engineering (AACE) expected cost accuracy for project initiation (Class 5) ranges from -20 to -50 percent on the low end and +30 to +100 in the high end.*
Benefits and Beneficiaries

Benefits
- Prevention of Land Subsidence
- New drought-proof water supply
- Reduced reliance on imported water
- Improved groundwater quality

Beneficiaries
- Santa Clara County residents
- 13 Retailers
- 15 Cities
- Businesses
- Flood control & habitat
- Other water/wastewater facilities and authorities
Section 2
P3 Overview
Design-Bid-Build (DBB) is the way the District has historically delivered infrastructure projects.

- DBB is the Base Case against which alternative delivery methods are compared.

This presentation will provide a short description of Design-Build (DB) as a potential alternative to DBB.

- However, the primary focus of this presentation is on P3 delivery methods as potential alternatives.
Definition of P3

- What is P3?
  - A public-private partnership (PPP or P3) is a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

- Key attributes of P3
  - A private entity raises the investment capital.
  - The private entity (not the government) commits to repay debt.
  - The private entity expects to generate revenues over time from its relationship (or partnership) with the governmental entity.
Use of P3 for Infrastructure

- Enabling Legislation: California Infrastructure Finance Act
  - Authorizes local governments to utilize private sector investment capital for “fee-producing infrastructure facilities”
  - Applies to a host of entities, including public districts
  - Permits private ownership or lease rights for up to 35 years

- P3 delivery methods are less common than other forms of public infrastructure financing
  - Most common in transportation, health care, and buildings
  - More limited utilization in water sector
Key Considerations in evaluating a potential P3

1. Can it shorten the **time** to the **in-service date**?

2. Can it lower **cost**?

3. Can it transfer **risk** away from the **District**?
Section 3
Review of Delivery Methods with Examples
# Alternative Delivery Methods

<table>
<thead>
<tr>
<th></th>
<th>DBB</th>
<th>DB</th>
<th>DBFOM</th>
<th>WPA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private Sector Role</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design</td>
<td></td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Build</td>
<td>☑</td>
<td>☑</td>
<td></td>
<td>☑</td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td>☑</td>
<td></td>
<td>☑</td>
</tr>
<tr>
<td>Operate</td>
<td></td>
<td></td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Maintain</td>
<td></td>
<td>☑</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Own</td>
<td></td>
<td></td>
<td>☑*</td>
<td>☑</td>
</tr>
</tbody>
</table>

| **Public Sector Role** |     |     |       |     |
| Design         | ☑   |     |       |     |
| Build          |     |     |       |     |
| Finance        | ☑   | ☑   |       |     |
| Operate        | ☑   | ☑   |       |     |
| Maintain       | ☑   | ☑   |       |     |
| Own            | ☑   | ☑   |       |     |
| Payments       | Pay capital cost | Pay capital cost | Pay for service over time | Pay for water over time |

*Public entity can own throughout
## Public Ownership Alternatives

<table>
<thead>
<tr>
<th>Description</th>
<th>Design-Bid-Build (DBB)</th>
<th>Design-Build (DB)</th>
</tr>
</thead>
</table>
|             | • Design and construction are separately bid  
• Sequential phases of design, bidding, build  
• Award to lowest bidder | • Design and building functions are consolidated  
• DB entity selected through RFQ/RFP process |
| Plan of Finance | • District pays capital costs  
• District issues Bonds | • Same as DBB |
| Advantages | • Familiar and accepted  
• Maximizes District control  
• Cost competition | • Cost competition  
• Saves time  
• Increased focus on value engineering  
• Transfers design risk |
| Challenges | • May be slowest alternative  
• District at risk for design errors  
• No contractor input into design | • Reduced control over design and construction quality  
• Design changes are costly |
DBFOM Overview

- Design-Build-Finance-Operate-Maintain (DBFOM)
  - The responsibilities for designing, building, financing, and operating are bundled together and transferred to private sector partners.

- Variety in DBFOM arrangements
  - DBFOM arrangements may provide for public ownership, private ownership, or a combination thereof
  - The franchise/concession delivery Method is a type of DBFOM (and is treated as such in this presentation)

- DBFOM is the dominant P3 delivery method in the transportation sector

- DBFOM has more limited exposure in the water sector
## Toll Concessions
- Tolls generated by the project are the primary revenue source
- The private partner maintains the right to collect tolls during the concession period
- The private partner bears the risk that tolls may not meet expected forecasts
- Government may provide limited financial assistance
  - Subsidy
  - Limited revenue guarantee
- Government may participate in revenue-sharing above defined thresholds

## Availability Payment Concessions
- The government pledges availability payments to compensate the private partner
- The project’s revenue risk is retained by the public sector
- Availability payments reflect milestones such as:
  - Completing construction
  - Meeting operational performance standards
The City of Rialto, California entered into a 30-year water/wastewater concession in December 2012

Key drivers for P3
- Aging infrastructure and deferral of needed system improvements
- Budgetary pressure and staff constraints
- Water and wastewater management considered as being outside the City’s core competency

Key City policy objectives
- Desire to outsource capital and operational requirements of system
- Desire to retain ownership
- Community outreach and public acceptance
Representative Capital Projects:
- Treatment plant improvements
- Reservoir seismic retrofit
- City well improvements
- Service line replacements
- Sewer line replacements
- Manhole rehabilitation
- Meter replacements
- Fire Hydrant replacements
Key Terms of Concession Agreement

- RWS has right to operate, manage, maintain and collect revenues from the City’s water and sewer facilities for 30-year term
- RWS must upgrade the system over the first five years
- City keeps ownership of all assets
- RWS gets a monthly fee that includes a charge to support debt service and return on equity, O&M costs, and an escalating service fee
- City recovers costs through water and sewer rates
Procurement process

- Request for Qualifications
- 3 vendors selected for short list
- Request for Proposals
  - Submittal based on City’s conceptual capital improvements program
  - Proposals included pricing, financing plan, technical proposal
- Award, negotiation, documentation and closing
  - The partnership was formed over an approximately 3-year period

Status Update

- September 2014 City report:
  - 10 projects were on schedule
  - 10 projects were delayed
  - 2 projects were on hold
  - 1 project had been cancelled
Hawaii WTE Project

- The County of Hawaii intended to construct a waste-to-energy project on the Island of Hawaii
  - The approximately $200M project would reduce reliance on landfills
  - The project would generate revenues from tipping fees paid by the County, and from the sale of electricity to the local utility
- The County determined that a DBFOM delivery Method was best suited to its needs
  - The County circulated an RFQ, developed a shortlist of vendors, and circulated an RFP
- The County subsequently decided against proceeding with the Project, due to cost and other factors
- The County discontinued its procurement process prior to receiving final proposals, and notified the vendors accordingly
WPA Overview

- **Water Purchase Agreement (WPA)**
  - A private entity enters into a long-term agreement with a governmental entity in which it commits to sell, and the government commits to purchase, specified quantities of water meeting agreed-upon water quality parameters.
  - The private entity is responsible for designing, building, financing, and operating the project, and also manages permitting and development activities.

- The WPA approach is the water-sector version of the Power Purchase Agreement (PPA) approach common to electricity procurement.

- The Carlsbad Desalination Project is a notable example of WPA.
# Electricity PPA: Typical Features

## Power Purchase Agreement (PPA) Overview

- The electric utility issues an RFP for electricity supply, specifying type of generating resource (i.e. renewable) and other parameters.
- Private bidders (developers and independent power producers) submit proposals based primarily on amount of kilowatt hours they will supply, and the price ($/kWh).
- Bidders are responsible for site acquisition, permitting, interconnection, design, construction, financing, operations and maintenance.
- Bidders are given a maximum time to begin construction, and to commence commercial operations.
- The PPA is fundamentally a volumetric contract – suppliers are paid for the kilowatt hours of electricity they provide.
- Curtailment – meaning the right of the purchasing utility to reduce the supplier’s energy output – is a key risk factor and negotiating point.
The San Diego County Water Authority entered into a 30-year Water Purchase Agreement in 2012 supporting the 50 MGD Carlsbad Desalination Project.

Key drivers for P3:
- Need for water as part of SDCWA’s supply diversification strategy
- Poseidon’s progress in developing the Carlsbad Desalination Project as a source of locally-controlled, drought-proof supply
- Desire to transfer risks of construction and operations to Poseidon

Key Water Authority policy objectives:
- Only pay for water that is actually produced
- Project reliability
- Ultimate ownership of the Project
WPA Example – Carlsbad Desalination Project

poseidon (Challenside) LP

Private Equity
- $167M Equity

Plant Lenders
- $530M Plant Bonds

Pipeline Lenders
- $203M Pipeline Bonds

SDCWA

30-Year Water Purchase Agmt.

Construction

O&M

Kiewit / Shea

IDE*

*Israeli Desalination Engineering
Key Terms of WPA

- Poseidon responsible for design, construction, financing, operation and maintenance of the plant
- Water Authority obligated to purchase a minimum annual volume of water meeting its quality standards, to the extent such “product water” is available for purchase
- Purchase of product water:
  - Water cost of $2,064/AF in 2012 dollars
  - Minimum purchase commitment of 48,000 AF/Y
  - Right to demand up to 56,000 AF/Y
  - Payment structure passes through key capital and operating costs of the project
- Purchase options at years 10 and 30
Procurement process

- Poseidon presented the project for SDCWA consideration
- SDCWA determined that sole-source procurement was appropriate
  - Procurement authority came from Water Authority Act
- Execution of termsheet
  - Framework for negotiation
  - Requirement for cost transparency
- Award, negotiation, documentation and closing
  - The deal was developed, diligence, negotiated and documented over an approximately 2-year period

Status Update

- Construction of the Plant and Pipeline are ahead of schedule with commercial operation expected in the 4th quarter 2015
Huntington Beach Desalination Project

- The Orange County Water District (OCWD) has recently entered into a WPA termsheet with Poseidon resources for a desalination facility to be located in Huntington Beach
- The California Coastal Commission has not yet approved the intake and outfall components of the Project
- Poseidon bears responsibility for obtaining all permits needed for construction and operation
### Summary: DBFOM versus WPA

<table>
<thead>
<tr>
<th>Role of the Government</th>
<th>DBFOM</th>
<th>WPA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Define the Project</td>
<td>• Provider brings the Project</td>
</tr>
<tr>
<td></td>
<td>• Select the provider</td>
<td></td>
</tr>
<tr>
<td>Annual Payments</td>
<td>• Volumetric payment or availability payment</td>
<td>• Volumetric payment (can include fixed component)</td>
</tr>
<tr>
<td>Ownership</td>
<td>• Government Ownership</td>
<td>• Private Ownership</td>
</tr>
</tbody>
</table>
Section 4
Comparison of Delivery Methods
### Comparison of Delivery Methods

<table>
<thead>
<tr>
<th></th>
<th>DBB (Base Case)</th>
<th>DB</th>
<th>DBFOM</th>
<th>WPA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timing</strong></td>
<td>- Least time required to initiate process</td>
<td>- Merging of design &amp; build activities may provide time savings versus DBB</td>
<td>- Outsourcing of design &amp; build activities, as well as pre-construction activities (i.e. permitting, siting, ROW), to a private-sector party may save significant time</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Sequential design-bid-build steps may make this slowest method to project completion</td>
<td>- Minor additional contracting complexity may partially offset potential time savings</td>
<td>- Significant time required to document and close a P3 may offset potential time savings</td>
<td>- Time savings opportunity constrained by procedural requirements of the permitting agencies</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>- Competitive bidding used to control costs</td>
<td>- Integration of design &amp; build likely to lower cost vs DBB</td>
<td>- Savings opportunities in pre-construction, design, build, and O&amp;M</td>
<td>- Savings opportunities in pre-construction, design, build, and O&amp;M</td>
</tr>
<tr>
<td></td>
<td>- Low financing cost</td>
<td>- Competitive bidding, Low financing cost</td>
<td>- Higher cost-of-funds may offset cost savings</td>
<td>- Higher cost-of-funds may offset cost savings</td>
</tr>
<tr>
<td></td>
<td>- Low integration of design and build</td>
<td>- Government performance of pre-construction activities and O&amp;M may not be least-cost solution</td>
<td>- Potential reduction in grant availability</td>
<td>- Private ownership gives highest potential for reduction in grant availability</td>
</tr>
<tr>
<td></td>
<td>- Government at risk for design errors</td>
<td>- Government shifts design risks to private sector</td>
<td>- Cost overrun and timing delay risks shifted to private sector</td>
<td>- Cost overrun and timing delay risks shifted to private sector</td>
</tr>
<tr>
<td></td>
<td>- Government at risk of cost overruns and timing delays</td>
<td>- Risk transfer of cost overrun and timing delay less robust than in P3 delivery methods</td>
<td>- Loss of control over project, Counterparty risks</td>
<td>- Loss of control over project, Counterparty risks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Potential for legal and/or financial fatal flaws</td>
<td>- Private ownership gives highest potential for legal and/or financial fatal flaws</td>
</tr>
</tbody>
</table>

*CleanEnergyCapital*
Section 5
Applicability to the Project
Potential Timing of P3 Implementation

Potential Benefits of P3 (Time Savings, Cost Savings, Risk Transfer)

- **Max**
  - Immediate
  - Conclusion of Prelim Engineering
  - Resolution of Brine Disposal Solution
  - CEQA Permits in Hand
  - Construction Complete

- **Min**

Time Required to Implement

- Procure and Contract: 12 – 24 months
- P3 Implemented
## Potential for Segmentation of the Project

<table>
<thead>
<tr>
<th>Segment:</th>
<th>P3 Opportunity</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Treatment</strong></td>
<td>- Potential time &amp; cost savings in design, construction, and operations</td>
<td>The District’s experience in construction and operation may reduce the relative advantage of a private provider</td>
</tr>
<tr>
<td>• $312M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 39% of total</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Conveyance</strong></td>
<td>- Potential benefits highest during development and construction</td>
<td>Time savings may not be relevant if operations must wait for treatment plant completion</td>
</tr>
<tr>
<td>• $318M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 40% of total</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recharge</strong></td>
<td>- Potential benefits highest during development and construction</td>
<td>Time savings may not be relevant if operations must wait for treatment plant completion</td>
</tr>
<tr>
<td>• $170M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 21% of total</td>
<td></td>
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</tbody>
</table>
Cost Breakeven Analysis

**Base Case Cost (DBB)**
- $800M capital cost
- 5.50% debt rate
- $23.3M annual O&M

**P3 Breakeven**
- Assuming that financing cost increases 1.50% to 7.00%...
- 10% savings (approx. $80M) in capital cost and O&M are required to “break even”

Costs are illustrative, based on current estimates and the District’s Master Plan. Significant uncertainties are noted.
Threshold Legal & Financial Considerations

- **Financial**
  - Grant availability (magnitude relative to project cost)
  - Availability of tax exempt financing (PABs, volume cap availability)
  - Other private activity impacts (including impact on City of San Jose as provider of wastewater)

- **Legal**
  - Consistency with District’s public contracting authority
  - Relative merit of DBFOM versus WPA
  - Other miscellaneous legal considerations

- **Relational**
  - Acceptability to internal and external constituencies and stakeholders as being in the best interests of the District
## General Risks of the Project

<table>
<thead>
<tr>
<th>Project Risk</th>
<th>Potential risk transfer through a P3?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay in completing construction</td>
<td>✓</td>
</tr>
<tr>
<td>Cost overruns (construction and operations)</td>
<td>✓</td>
</tr>
<tr>
<td>Need for water (wet year versus dry year need)</td>
<td>Not easily transferred</td>
</tr>
<tr>
<td>Integration of the Project into existing District operations</td>
<td>Not easily transferred</td>
</tr>
<tr>
<td>Public acceptance of indirect potable reuse</td>
<td>Not easily transferred</td>
</tr>
</tbody>
</table>

However, some factors are outside control of provider.
### Specific Risks of a P3 Delivery Method

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provider fails to complete Project on time or on budget</td>
<td>• Contractual penalties</td>
</tr>
<tr>
<td>General failure of Provider (i.e. bankruptcy)</td>
<td>• Ability to replace Provider • Credit support / reserve funds</td>
</tr>
<tr>
<td>Potentially higher cost structure of Provider</td>
<td>• Cost savings will depend on negotiated prices</td>
</tr>
<tr>
<td>Legal or financial fatal flaws</td>
<td>• Discovered during due diligence</td>
</tr>
<tr>
<td>Loss of control</td>
<td>• District determination of level of control needed for acceptable project</td>
</tr>
<tr>
<td>Possible inflexibility regarding future DPR conversion</td>
<td>• Include contractual rights in agreements with Provider</td>
</tr>
<tr>
<td>Public acceptance of P3</td>
<td>• Public outreach and Board process</td>
</tr>
</tbody>
</table>
Section 6

Next Steps
Next Steps

This presentation is for informational purposes only
➢ no Board action is requested

▪ Feedback from this meeting, and continued feedback from District staff, will be incorporated into Clean Energy Capital’s written report

▪ Final Report scheduled for July 28 Board meeting

▪ Questions / comments?
Thank you!

<table>
<thead>
<tr>
<th>David M. Moore</th>
<th>Benjamin T. Reyes II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Director</td>
<td>Principal</td>
</tr>
<tr>
<td>Clean Energy Capital</td>
<td>Meyers Nave</td>
</tr>
<tr>
<td>One Market Street, Suite 3600</td>
<td>555 12th Street, Suite 1500</td>
</tr>
<tr>
<td>San Francisco, CA 94105</td>
<td>Oakland, CA 94607</td>
</tr>
<tr>
<td>(415) 710-1350</td>
<td>(510) 808-2000</td>
</tr>
<tr>
<td><a href="mailto:dmoore@cleanenergycap.com">dmoore@cleanenergycap.com</a></td>
<td><a href="mailto:breyes@meyersnave.com">breyes@meyersnave.com</a></td>
</tr>
<tr>
<td><a href="http://www.cleanenergycap.com">www.cleanenergycap.com</a></td>
<td><a href="http://www.meyersnave.com">www.meyersnave.com</a></td>
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