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*Notification of this Addendum is transmitted via email to all firms on the current RFQ Outreach List.
This Addendum is posted on the District website at
<http://www.valleywater.org/P3-Purified-Water/>*

March 22, 2018

ADDENDUM NO. 1
TO THE REQUEST FOR QUALIFICATIONS FOR A PUBLIC-PRIVATE PARTNERSHIP
BETWEEN RESPONDENT AND THE SANTA CLARA VALLEY WATER DISTRICT
WITH REGARDS TO THE EXPEDITED PURIFIED WATER PROGRAM

Project No. 91304001

Notice is hereby given that the following revisions, additions, and/or deletions are hereby made of, and incorporated into, the Request for Qualifications (RFQ) for a Public-Private Partnership between the Respondent and the District with regards to the District's Expedited Purified Water Program (PROJECT).

SECTION 1 – INTRODUCTION

Article 1.1. Introduction

ADD the following text to the end of paragraph 1.1.B.:

“Firms that were previously shortlisted should at a minimum complete the following sections and submit them to the District by the due date:

1. Parts II and IV, updated as necessary
2. Part V
3. Part VI
4. Both parts of Section 2.2 (responses will not be scored numerically)”

ATTACHMENT A – PROJECT BACKGROUND DOCUMENTS

[5] Draft Purified Water Program Plan

This reference document was updated on March 15, 2018 and reposted on the Program website, available under “RFQ Reference Documents” at
<http://www.valleywater.org/P3-Purified-Water/>

ATTACHMENT C – STATEMENT OF QUALIFICATIONS FORMS

PART III: RELEVANT EXPERIENCE OF THE P3 TEAM

REPLACE sentence that reads “Responses to Part III shall not exceed 50 pages.” with:

“Responses to Part III shall not exceed 60 pages.”

APPENDIX 2 – DISCLOSURE QUESTIONS

SECTION 2.1

REPLACE first NOTE on page 52 that reads “The Respondent will be immediately disqualified if the answer to any of questions 1 through 3 is “No”.” with:

“The Respondent will be immediately disqualified if the answer to either question 1 or 2 is “No”.”

REPLACE second NOTE on page 52 that reads “The Respondent will be immediately disqualified if the answer to any of questions 4 through 9 is “Yes”.” with:

“The Respondent will be immediately disqualified if the answer to any of questions 3 through 9 is “Yes”.”

GENERAL QUESTIONS AND RESPONSES

Question No.	Question/Response
1	<p>Question:</p> <p>After reading the Recycled Water Committee Agenda of 2/8/18 again, specifically Item 5.4 re: the discussions with Contra Costa Water District / Central San - if this MOU goes through, what affect (if any) will it have on the Expedited Purified Water Program? i.e. will Expedited Purified Water Program capacity be reduced?</p> <p>Response:</p> <p>The Contra Costa Water District (CCWD)/Central San MOU is a pre-feasibility study to determine the viability of an exchange opportunity where Central San would provide recycled water to two large oil refineries in the east bay, and in exchange, SCVWD would receive CCWD Central Valley Project water (up to 22k acre-feet) that is currently being provided to the refineries. If the pre-feasibility study determines the project has no fatal flaws, District staff will then evaluate the project as part of the update to the Water Supply Master Plan. As current modeling is showing that multiple water supply projects are needed to meet the District’s future water supply reliability goals, this project is not expected to have an impact on the Expedited Purified Water Program capacity.</p>

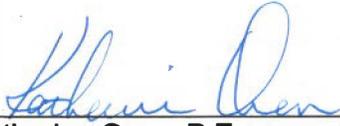
Question No.	Question/Response
2	<p>Question:</p> <p>Is the SVAWPC expansion to bring the capacity to 24,000 AFY or to increase it by 24,000 AFY? i.e. adding 24,000 AFY to the current built capacity.</p> <p>Response:</p> <p>The SVAWPC expansion is intended to increase the capacity by 24,000 AFY. The product water from the existing facility will continue to be blended with tertiary effluent for non-potable uses.</p>
3	<p>Question:</p> <p>Section 1.1.B of the RFQ indicates that NEWater Partners and Poseidon Water LLC are already shortlisted for the Project based upon the 2016 procurement process. Please confirm that neither of these entities is required to submit any additional information at this time as part of this RFQ process and that these two entities will be receiving the Request for Proposals once available.</p> <p>Response:</p> <p>See revised section 1.1.B. of this addendum.</p>
4	<p>Question:</p> <p>Section 3.2.9 indicates that the P3 Entity must be a licensed contractor whereas the licensed contractor will likely reside within the Design-Builder. Section 3.2.9 indicates that the, “P3 Entity must be a licensed contractor.”</p> <p>The P3 Entity is defined as the entity that will enter into the Development Period Agreement and the Water Service Agreement. The definition of the P3 Entity also indicates that it is expected that the P3 Entity will be a special purpose entity. Therefore, the P3 Entity will not likely be a licensed contractor as indicated in Section 3.2.9. Also, the definition of the Design-Builder includes a licensed contractor requirement so the licensed contractor will need to reside within the Design-Builder and not the P3 Entity.</p> <p>We respectfully suggest that Section 3.2.9 be amended to read the “P3 Entity must include a licensed contractor”.</p> <p>Response:</p> <p>Section 3.2.9 Minimum Qualifications Requirements will remain as is. California law requires that the P3 entity be a licensed contractor. The date the license will be required will be clarified in the Request for Proposals (RFP).</p>

5	<p>Question:</p> <p>Definitions (Lead Investor)</p> <p>The new Lead Investor definition creates a mismatch between roles and experience with respect to the financing of and equity investment in the P3 Entity. Therefore, we respectfully suggest that the District revert back to the Finance Provider definition in the old P3 RFQ.</p> <p>In the new P3 RFQ, the Lead Investor is defined as, “The entity or entities that will act as the long-term majority owner of the P3 Entity and purchase and hold the subordinated bonds to be issued by the P3 Entity.” This definition replaced the Finance Provider in the last P3 RFQ and speaks to the role of equity investment.</p> <p>Further, in the Statement of Qualifications of the new P3 RFQ, Part III, Section D, under paragraph 2 of “General Experience” the District is especially interested in “...financings involving U.S. municipal entities as offtakers, the issuance of private activity bonds or comparable tax-exempt debt instruments, and the satisfaction of qualified management contract safe-harbours.” This experience requirement references debt financing.</p> <p>In the old P3 RFQ, Finance Provider was defined as, “The entity that will provide or otherwise arrange for financing of the P3 Entity and the P3 Project. It is expected that the Finance Provider will also be the equity contributor to the P3 Entity. However, the Finance Provider may arrange for equity contributions from third party investors.” This definition provides for both debt and equity financing which is more consistent with the “General Experience” requirements in the new P3 RFQ per above.</p> <p>The issuance of bonds and debt is typically led by entities that arrange financing for a P3 Entity (e.g. a financial advisor) as per the old Finance Provider definition. For clarity, this is a separate concept than the “senior manager and co-manager” referenced in Section 3.2.4 which we interpret to be the underwriter. Reverting back to the Finance Provider definition ensures that the Finance Provider is the equity contributor but also enables the Finance Provider to demonstrate its experience working with its financial advisor on debt financing, which the District has indicated that they are especially interested in.</p> <p>As both an equity investment role and debt financing experience is important to the District, we respectfully suggest that the new P3 RFQ be amended to revert back to the original Finance Provider definition.</p> <p>Response:</p> <p>The definition of the Lead Investor was updated in the February 2018 RFQ to comply with Internal Revenue Service (IRS) Revenue Procedure 2017-13 which provides safe-harbor conditions under which a service arrangement will not result in private business use of property financed with governmental tax-exempt bonds under Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). Section 5 of Revenue Procedure 2017-13 provides for certain conditions to be satisfied such that the service contract component of the P3 will not be considered private business use under Section 141 of the Code. To ensure that private business use does not result by reason of the P3 arrangement, the terms of any P3 Entity financing for the Proposed Project</p>
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5 cont.	<p>(e.g., the capital component) will be evaluated by the District to ensure that such component constitutes debt for federal income tax purposes, including by evaluating the interest rate provisions (and yield), terms of repayment, term to maturity, and subordination, among other matters, and the P3 Entity will not have an equity interest in the Proposed Project.</p> <p>The District contemplates a capital structure in which the P3 entity issues investment grade senior bonds, and non-rated subordinated bonds, with both tranches eligible for repayment through a debt service component of the water unit price that is payable by the District when the Project operates successfully. The District considers the Lead Investor to be the party that will purchase and hold the subordinated bonds.</p>
6	<p>Question: In reviewing Appendix 2, we noticed that Question 3 in Section 2.1 seems to be worded incorrectly, where a “No” answer would “immediately disqualify” a respondent, where in fact a No answer is a positive response to the question.</p> <p>Response: See revision to APPENDIX 2 Section 2.1 of this addendum.</p>
7	<p>Question: Part V: Financial Capability Evaluation Template</p> <p>The Financial Capability Evaluation Template computes the ratios and provides the maximum potential score in each category, however, it does not indicate how the scores will be calculated. Will the district be providing any further guidance on how the computed ratios will be scored?</p> <p>Response: The scores will be assigned in accordance with the General Comments outlined in column M of the Template. For example, for profitability ratios, a consistent trend of maintaining or increasing the levels will receive a higher score than a trend of decreasing or variable profitability ratios.</p>
8	<p>Question: Appendix 2, Section 2.1, question #3. The “NOTE” in the pre-amble suggests teams will be immediately disqualified if they answer “No” to any of the first 3 questions. The third question basically asks “has any contractor license been revoked” – we believe the preferred answer would actually be “No”. Can you please confirm that if none of our P3 team members’ contractor licenses have been revoked in the last five years, that we would not be immediately disqualified?</p> <p>Response: See revision to APPENDIX 2 Section 2.1 of this addendum.</p>

9	<p>Question:</p> <p>Given the complexity of the project (encompassing both treatment and conveyance) we are concerned that there is not sufficient space in the RFQ response to adequately set out proper credentials for the Design-Builder. Accordingly, we request that the page limit for Part III (Relevant Experience of the P3 Team) be increased to 60 pages and the number of reference projects allowed for Section B (Design and Construction Experience of the Design-Builder) be increased to "at least (6) and no more than (10)".</p> <p>Response:</p> <p>See revised ATTACHMENT C section of this addendum. The page limit for the response to Part III is increased to 60 pages.</p> <p>We will be keeping the reference projects allowed for Section B (Design and Construction Experience of the Design-Builder) at "at least four (4) and no more than six (6)." You can list additional projects in the tabular listing of the Design-Builder's portfolio of projects.</p>
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THIS ADDENDUM NO. 1, WHICH CONTAINS 6 PAGES, IS ATTACHED TO AND IS A PART OF THE RFQ FOR THIS PROJECT.



Katherine Owen, P.E.
Deputy Operating Officer
Water Utility Capital Division

Date: 03/22/2018