

AWWA ACE 18 Public-Private Partnerships

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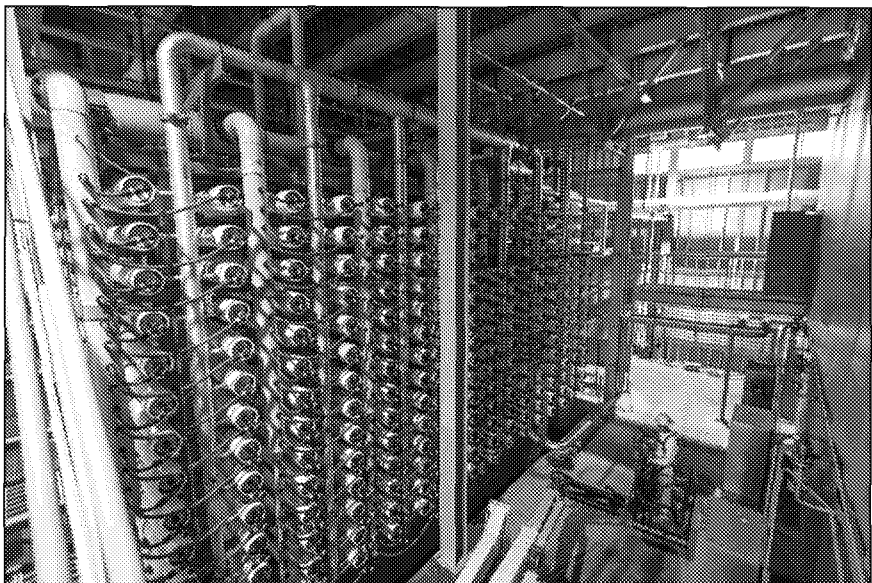
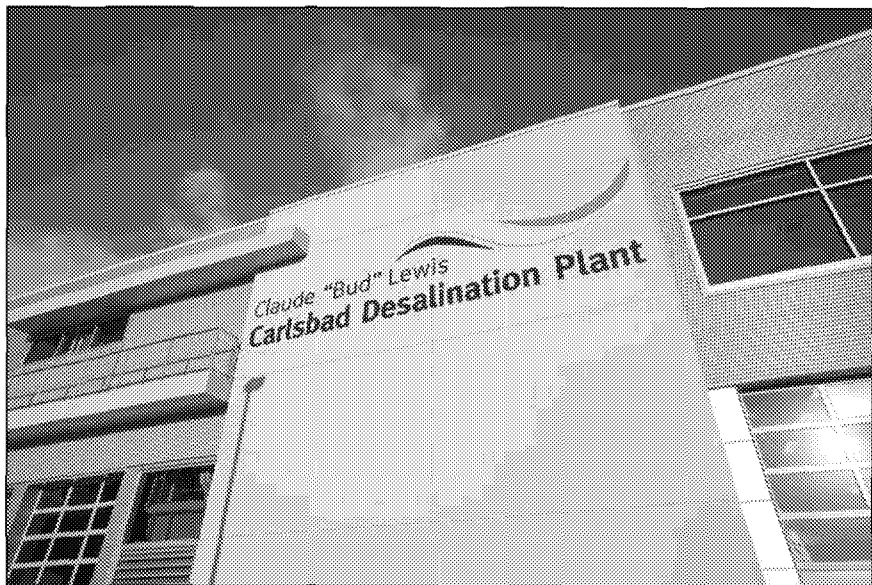


Carlsbad Desalination

- ▶ \$1 billion investment
- ▶ 50 MGD capacity – Up to 56,000 AF/year
- ▶ Designed, built, owned and operated by private developer (Poseidon Water)
- ▶ 30-year Water Purchase Agreement
- ▶ Water Authority takes ownership at end of agreement term.

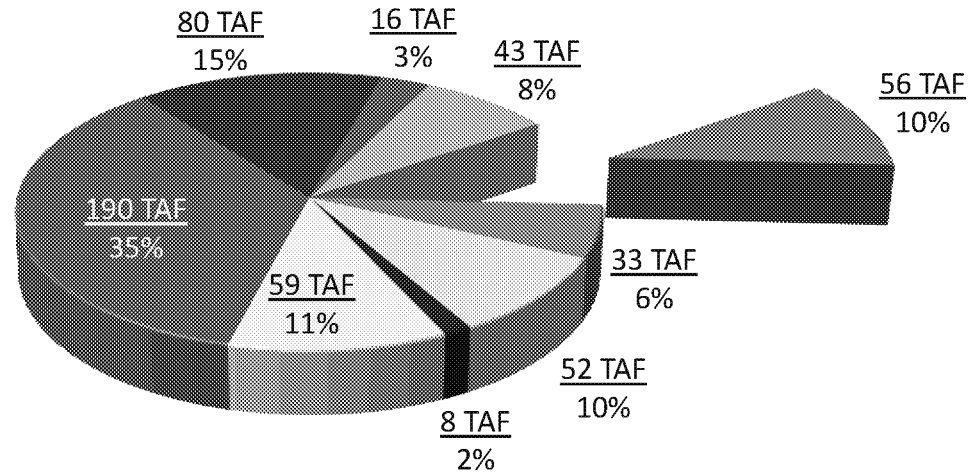


ination Project



Increasing San Diego County's Water Supply Reliability through Supply Diversification

2020



- | | | |
|---|---|---|
|  Metropolitan Water District |  San Luis Rey Water Transfer |  Groundwater |
|  Imperial Irrigation District Transfer |  Recycled Water |  Local Surface Water |
|  All American & Coachella Canal Lining |  Seawater Desalination |  Potable Reuse |

(TAF=Thousand Acre-Feet)

Considerations in determining the project approach

- ▶ Who has the expertise to accomplish the project?
 - Public? Private? Both?

- ▶ What risk(s) is the agency willing to take?
 - Permitting
 - Legal challenges
 - Financing
 - Construction costs and potential overruns
 - Design, Operations and Performance



Challenges to the Desalination Project P3

- ▶ Resistance to a privately-owned base water supply project
- ▶ “Profiteer” issue
- ▶ Complexity of project and need to cover ALL aspects of project in the contract
- ▶ Impact on agency staff and workload
- ▶ Potential limitation of number of bidders
- ▶ Transparency, transparency, transparency



Deciding Factors for the Desalination Project P3

- ▶ Little in-house expertise in desalination within the agency
- ▶ Numerous permit risk and legal challenges
- ▶ Significant outside financial investment obtained and off-public balance sheet
- ▶ Quicker project delivery
- ▶ Relief from potential operational challenges
- ▶ Protection from financial impact of non-performance
- ▶ Guaranteed maintenance schedule per the contract

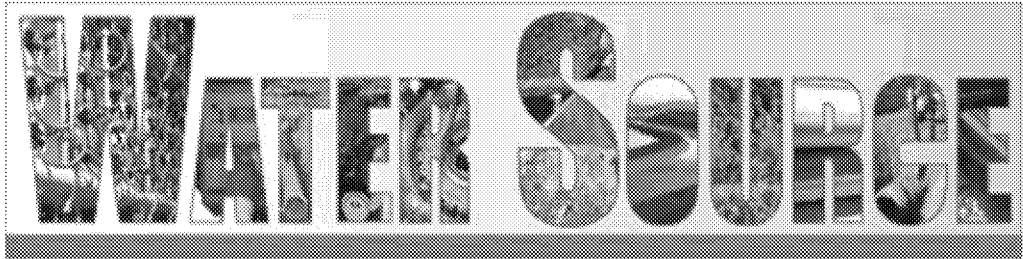


The Carlsbad Project: A Successful Public Private Partnership (P3)

- ▶ ***Risk Transfer*** to Poseidon/Contractor team
- ▶ ***Price certainty*** throughout Water Purchase Agreement term
- ▶ ***Buy-out provisions*** after 10 years of operation
- ▶ ***Transfer to public ownership*** at the end of the 30 year agreement



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