

AWWA ACE 18 Public-Private Partnerships

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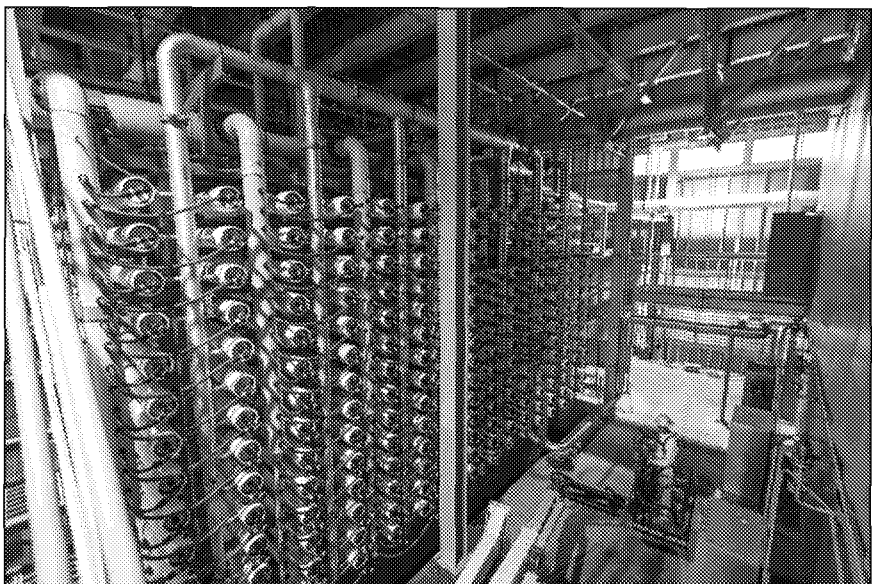
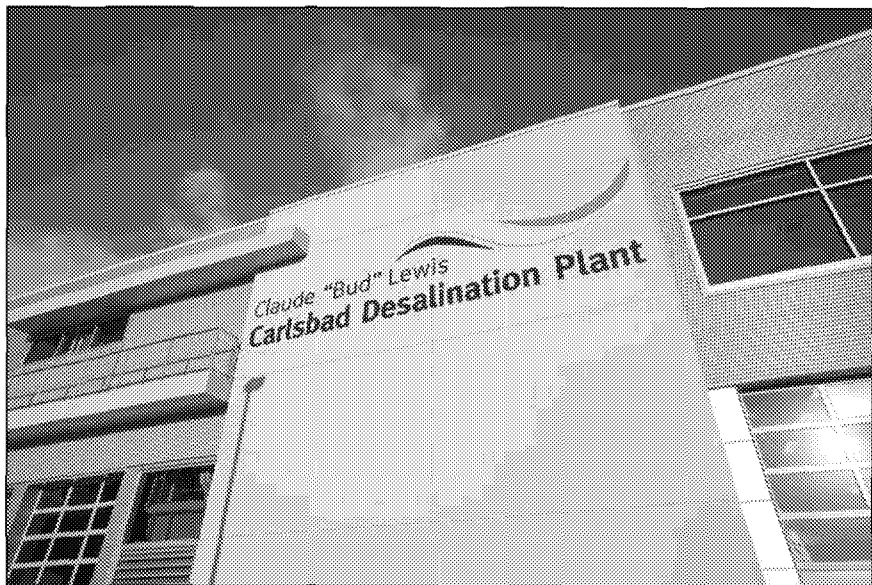


Carlsbad Desalination

- ▶ \$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.

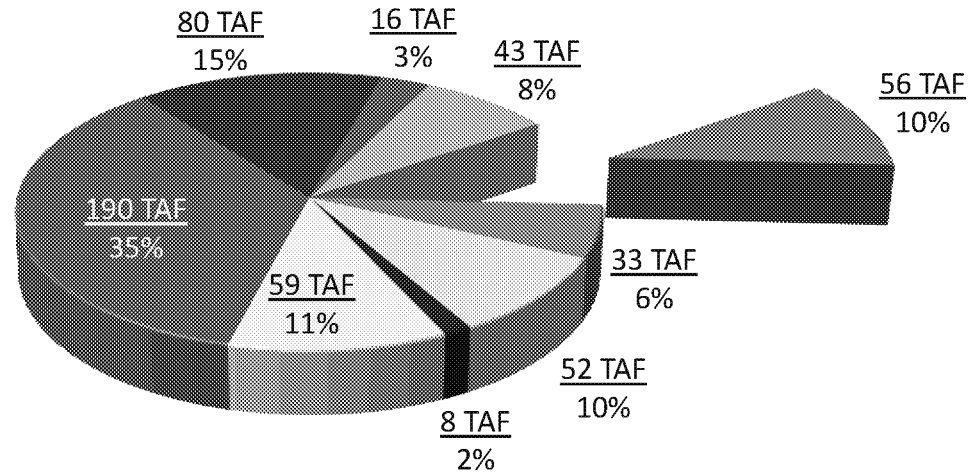


ination Project



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

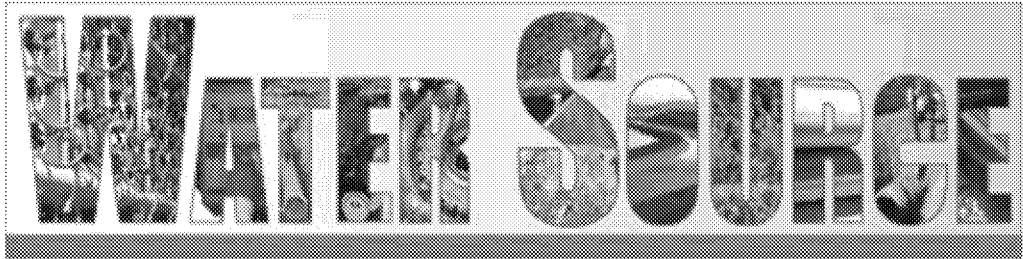


The Carlsbad Project: A Successful Public Private Partnership (P3)

- ▶ ***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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