



## Navigating the complexities of water P3s

We recently spoke with **Sam Lissner**, partner at **Ridgewood Infrastructure**, about the evolution of P3s in the water and wastewater sector. Below is an excerpt of that conversation.

*Ridgewood has been involved in several of the largest water P3s in the country. For investors who may not be familiar with Ridgewood, how do water P3s fit within your broader strategy?*

Ridgewood Infrastructure invests in essential infrastructure assets in the U.S. lower middle market. We execute a value-added, operationally oriented strategy across sectors including water, transportation, utilities and energy. Water has been a consistent and central area of focus within that strategy.

The investment rationale begins with fundamentals. Water usage is essential and highly stable – demand is non-discretionary and largely inelastic across economic cycles. Systems are deeply embedded within their communities, and assets typically operate under regulatory or contractual frameworks that support long-duration cash flow visibility. Those characteristics align directly with our focus on owning assets and businesses that provide mission-critical services with the potential to generate long-term, high-quality and inflation-protected cash flows.

Our emphasis on water is grounded in experience. Members of our team have been investing in and operating water infrastructure for decades. At Ridgewood, former water utility executives and engineers work alongside investors with long-standing water-sector expertise. Those backgrounds provide practical operating insight and relationships across municipalities, regulators, contractors and industry participants that have been built over many years.

Structurally, the U.S. water market is well suited to our investment approach. The sector remains highly fragmented – there are more than 65,000 water utilities in the United States, compared to roughly 30 in the United Kingdom. Many systems are small to midsize and require capital investment and operational professionalization. Our investment sizing aligns naturally with that opportunity set, allowing us to participate meaningfully in transactions that are often below the radar of larger-cap managers.

*What are some examples of recent water investments?*

Within this broader water focus, we have invested across a number of key themes: Undine is a regulated water utility serving



Prospect Lake Clean Water Center, City of Fort Lauderdale, Fla.

customers in high-growth regions of Texas; WRM collects and treats wastewater from commercial and industrial customers; Environmental Infrastructure Partners is among the largest private owners of long-term contracted smart water meters. Of course, we have also delivered several large-scale water P3s. The Vista Ridge Water Pipeline is the largest water P3 in U.S. history: an approximately 150-mile pipeline delivering fresh water to San Antonio under a 30-year contract. The Prospect Lake Clean Water Center is America's third-largest water P3 and will be providing fresh water to Fort Lauderdale under a similar 30-year concession agreement.

Vista Ridge and Prospect Lake both required alignment across multiple public agencies and stakeholder groups.

*How do you manage complex multistakeholder dynamics over long development and operating horizons?*

Large-scale water P3s such as Vista Ridge and Prospect Lake involve coordination across municipal leadership, water authorities, engineers, contractors, community stakeholders and financing parties – often over construction periods measured in years and operating horizons measured in decades. Success depends on discipline, alignment and execution.

We work with municipal partners to formalize decision-making frameworks, define roles and responsibilities across agencies, and document approval pathways. When responsibilities are clearly allocated and processes are well defined, projects are better positioned to withstand inevitable changes in leadership or external conditions.

Communication is also vital. Regular reporting on construction progress, operational performance and regulatory compliance creates transparency and predictability. In long-term public-private partnerships, confidence in process is critical. Proactive engagement helps address issues early and sustain trust across stakeholders.

Ultimately, managing multistakeholder dynamics requires consistency of purpose. Infrastructure priorities, political leadership and market conditions will evolve over time. A durable P3 framework provides a structured environment in which those changes can be navigated without disrupting service delivery or long-term project performance.



Vista Ridge Water Pipeline, San Antonio, Texas

### How does Ridgewood think about risk allocation?

Our guiding principle is straightforward: Risk should reside with the party best positioned to manage it. Durable P3 structures depend on calibrated allocation – not simply shifting exposure, but aligning responsibility, capability and incentives.

In construction, that begins with contractor selection. We partner with firms that demonstrate proven expertise in the specific project scope and delivery requirements. On the Prospect Lake project, for example, we partnered with Kiewit Construction, a recognized leader in the design and construction of large-scale water treatment facilities in the United States and globally. We entered into a fixed-price, date-certain EPC agreement with clearly defined scope, schedule and performance parameters, providing cost and timing visibility at the outset. Importantly, Kiewit self-performs a substantial portion of the work, enhancing execution control, coordination and accountability throughout construction.

“ **Opportunities are emerging where aging infrastructure, regulatory requirements and demographic growth intersect.** ”

Operator selection is critical, particularly where advanced treatment technologies are involved. At Prospect Lake, we partnered with IDE Technologies, a leading international water company with demonstrated expertise in the ion exchange and nanofiltration technologies being deployed at the facility. Technical proficiency is essential, but alignment is equally important. IDE is also an equity owner in the project, which directly aligns incentives across construction, operations and long-term asset performance. Ownership participation reinforces accountability and ensures operational decisions are made with lifecycle outcomes in mind.

### How do you balance the affordability for ratepayers with the need to invest in modern resilient infrastructure?

Affordability is central to every water P3. Ultimately, infrastructure investment must be supported by ratepayers.

We focus on total lifecycle cost rather than simply the up-front capital requirement. Instead of treating modernization as a single capital event, we design phased investment programs aligned with asset condition, regulatory timelines and system resiliency objectives.



### Waste Resource Management – a multi-region provider of liquid wastewater collection, treatment and disposal.

Rate smoothing mechanisms are a key structural tool. By calibrating concession duration, capital pacing and financing structures, costs can be spread across the useful life of assets rather than concentrated in the near term. This approach reduces rate shock while enabling necessary system upgrades.

For communities experiencing growth or economic diversity, predictability of rates is particularly important. Structured properly, P3s allow municipalities to transition from reactive maintenance to planned investment programs that improve reliability and environmental performance while maintaining affordability.

### Looking ahead, where are the most compelling opportunities for P3s, particularly in the water and wastewater infrastructure area?

Opportunities are emerging where aging infrastructure, regulatory requirements and demographic growth intersect.

Many U.S. water systems face significant capital programs driven by compliance standards, asset replacement needs and resiliency considerations. Municipal balance sheets and internal resources are often constrained. P3s can provide a framework to accelerate investment while maintaining public oversight and service continuity.

Growth markets represent another area of opportunity. Expanding systems require capital and execution discipline to preserve reliability and water quality. Structured partnerships can align public objectives with private-sector accountability.

As the market matures, municipalities increasingly seek partners with sector experience, capital certainty and long-term commitment. Water infrastructure remains one of the most essential segments within the broader infrastructure asset class. When structured thoughtfully, P3s can support communities while generating stable, long-duration returns for investors.

#### CONTRIBUTOR



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#### CORPORATE OVERVIEW

**Ridgewood Infrastructure** invests in essential infrastructure in the U.S. lower-middle market. We originate investments that provide essential services to customers and employ responsible and operationally focused initiatives to enhance value. Through this strategy, Ridgewood focuses on creating beneficial outcomes for stakeholders with investments that generate long-term, high-quality, noncorrelated cash flows

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