

*BCWSA/NWWA/NPWA*

*A Cooperative Venture in Water Supply*

*2010 - 2014*



# Philadelphia Water Department (PWD)

## **Agreement Provides for:**

- Execution date 3-15-1966  
(45 year contract expired 2011)
- Required Termination Notice 2 years prior  
(2009)



# Negotiation of New Agreements with PWD

- Initiation of negotiations 2009  
(2 years advance of PWD Agreement expiration)
- Initial Proposal
  - Immediate 100% rate increase
  - 80% - 100% rate increase in 4 years
- PWD unwilling to negotiate 95% of rate issues (blended rate)\*
- Short term negotiation of 5 year interim agreement

\*shared cost of PWD retail supply costs



# Philadelphia Water Department

## Agreements With:

- Wholesale 1 Not Renewing  
(2 Independent Agreements A & B) \*
  - Executed (A) 3-7-1966 / (B) 5-9-1972
  - Expiration 3-7-2011 / 5-9-2017
  - Notice 2 years

\*Notice for agreement B not given prior to negotiation of project



# Philadelphia Water Department

## **Agreements With 2 years notice:**

- Wholesale 2      May 2011 (new 30 year contract)  
    Executed 4-11-1974  
    Expiration 4-11-2014
- Wholesale 3      October 2011 (new 30 year contract)  
    Executed 7-14-1975  
    Expiration 7-14-2015
- Wholesale 4      October 2011 (new 30 year contract)  
    Executed 10-19-1978  
    Expiration 10-19-2018



# Issues of Timing of Expiring Agreements

- Difficulty with wholesale customer agreements expiring beyond PWD agreement
- Competitors tried to acquire wholesalers amid transition period  
(During renegotiation of expiring agreements)
- No firm Engineering Estimate,  
Design plans, or bids at the time of renegotiating agreements



# BCWSA Problems and Solutions

## Problems:

- Proposed PWD rate cost produces noncompetitive rate structure.
- Inability to accurately reflect long term costs.
- Time deadline due to expiration of extension agreement with PWD
- Financial impact of deadline  
(Additional \$3 million/up in operating costs)



# BCWSA Problems and Solutions

## Solutions:

- Sell to a private utility
- Negotiation of a short term extension of Agreement and Rates with PWD  
(Short 5 year adjustment in rate structure)
- Look for alternative sources
  - Forest Park
  - Lower Bucks County Joint Municipal Authority
- Ability to obtain financing to fund the project.





# Solution: Forest Park Construction Project

- Purchase of Forest Park capacity (15 MGD)
  - 26 year agreement
- Purchase of LBCJMA capacity (3 MGD)
  - 25 year agreement

## Bidding Process

- Multiple contractor project – BCWSA
- Multiple segments –NWWA/NPWA/BCWSA
- Cost savings
  - Size of project (2 contractors)
  - Independent Design/Construction

Engineers



# Transition from PWD to Forest Park

- 4 months of preparation and practice
- 1 week from start to finish
- Transition occurred over the 4<sup>th</sup> of July holiday weekend 2014
- Water quality issues
  - Fluoridated to Non-Fluoridated water
    - Taste/odor change
  - Redirection of flow (reverse)
    - Customer complaints - sediment



# Capital Improvement Impacts/Benefits

- PWD Rate Increases (avoided)
- PWD Operational Cost Impact (if stayed with PWD)
  - \$8 million/year additional operating cost by 2022
- Pay Back
  - Break even cost of water main project 2018
  - Break even cost of overall project 2023



# Summary of Project Cost Budget vs. Actual

Original Budget	\$21,000,000
Contract Actual Price	\$19,213,033
Change Orders	\$165,163
Total Contract Cost	\$19,378,196

% of Change Orders 0.86%

Project completed on time and  
Under budget



## Lessons Learned:

- Start negotiating and planning early for contract renewal
- Multiple contracts should be bid simultaneously and construction deadlines should be set 6 months in advance of contract expiration dates
- Conduct a comprehensive financial/operational analysis of alternatives
- Intergovernmental cooperative ventures can be extraordinarily effective and beneficial to all concerned



Thank you

