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
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 4th 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Budget</td>
<td>$21,000,000</td>
</tr>
<tr>
<td>Contract Actual Price</td>
<td>$19,213,033</td>
</tr>
<tr>
<td>Change Orders</td>
<td>$165,163</td>
</tr>
<tr>
<td>Total Contract Cost</td>
<td>$19,378,196</td>
</tr>
</tbody>
</table>

% 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