Virginia-American Water Company

Water Infrastructure System

Utility Privatization

NDIA Briefing

A Case Study of the US Army Garrison at Fort Lee, VA

April 2003
Utility Privatization Services

• Utility Service is the only priority of regulated utilities

• Are a logical extension of the business vs. Priority of Army to operate utilities that compete for other mission critical resources

• Regulated utilities operate under rules and regulatory oversight by State Utilities Comm.

• Proven track record of service to the customer

• US Government is often already a utility customer
• The Regulated Utility is:
  ✓ Is looking for the opportunity to expand service territory
  ✓ Able to best serve customers where economies of scale will be implemented and realized
  ✓ Able to improve quality of life with water quality research and technology advancement
  ✓ Utility service is our core function
  ✓ Currently using programs for operational and scheduled maintenance of utility assets
  ✓ Equipped with QC/QA expertise (i.e. water quality laboratory services)
Benefits of an Asset Transfer from the Utility View:

• Frees federal government from burdens of operating a water utility, including WQ issues, operations, budgeting, meter reading, maintenance, etc.

• Brings a wide range of technical expertise including engineering, legal, accounting, financial, safety, risk management, IS with national & international expertise to the utility operations

• Utilities carry inventories of materials for construction and repair for quick response and implementation of projects.
“VAWC’s & AWW’s management process emphasizes proactive performance and value”

- Technical Support from internal and external sources
- National & International Expertise
- Our personnel operating this Water System have extensive knowledge of the system
- Specialized equipment, analytical capabilities
- Financial capability to provide resources quickly
- Immediate response and quick repair service
Realities of Utility Privatization

- Dialogue between Contracting Offices (DoD) and Utility—each talk a different language
- Deliverables with Contract are unavailable or must be sought out
- Communication between Contracting, Utility and Base Command are often not synchronized
- Inventories are not specific in some cases, records of utility system must be developed
- Perception vs. reality of utility system condition
- Long lag from RFP to Contract Award
Other Utility Services Available That Should Be Considered or are provided:

- Professional Design Services, Management Services & Construction of Infrastructure
- General & Administrative
  - Facility Tours
  - Engineering data
  - Customer service communication
  - Customer service representatives
  - Offices and Operations Buildings
  - Mail Handling
- Physical Security Measures
  - Law Enforcement & Emergency Management Agency Liaison
  - Water Treatment Facilities
  - Distribution Storage Tanks
  - Pump Houses & Well Stations
  - Remote Chemical Storage Facilities
  - Vaults
  - Dams
  - Reservoirs
  - Water Intakes
Other Utility Services Available That Should Be Considered or are provided:

- Leak Surveys and Water Audits of the Distribution Grid
- Hydraulic Analyses of the Distribution System
- Meter Testing and Repair
- Water Quality Research and Development
- Inspection Services
  - Tanks
  - Pipelines
  - Pumping Equipment
  - Utility Locating Services
  - Dams
  - Reservoirs
Limitations of contract specifications:

- Value of contract is small relative to total business
- Must evaluate risk as commitment to contract may not be profitable for multiple years
- Utility does not always have control over product supplier in some cases (dual suppliers), therefore quality of service may suffer
- Performance by the utility may force its existing customers to wait for service requests because volume of contracted service at elevated priority is greater than identified in RFP
- Services may be requested which are not specified adequately in the contract which result in additional negotiation, contract modification, and additional resources
- New tighter regulatory requirements may increase cost of operations beyond those which could be identified in RFP
- Coordination of infrastructure replacement vs. new infrastructure limitations
Thank You!

May I Answer Your Questions?