Lehigh County Authority

Pretreatment Plant (PTP)

LCA – CH2M Partnership

Contract Renewal
Agenda

• Welcome and introduction to PTP facility
• Overview of CH2M & LCA Partnership
• Contract Extension Basics
• Contract Extension Details:
  – Annual Rate Adjustment
  – Hauler Program Modifications
  – Cost Savings via CH2M-Funded Plant Improvements
  – Cost Competitiveness
• Discussion / Questions
A birds-eye view of LCA
About CH2M – skills and resources for LCA’s most difficult challenges

• Broad expertise
• Business philosophy built on safety, ethics, sustainability
• Ethisphere Institute *World’s Most Ethical Companies* 9 consecutive years
• Top industry rankings from *Engineering News Record*
• Global Water Intelligence ranked CH2M the second Largest US Contract Operator in 2016

ENR has ranked CH2M as a top Program Management and top Environmental firm for over a decade.

**Top Design Firms:**
- Sewer/Wastewater
- “Pure” Designers
- Sewerage & Solid Waste
- Wastewater Treatment Plants
- Sanitary & Storm Sewers
- Semiconductor Plants

**Top Environmental Firms:**
- Consulting/Studies
- Engineering/Design
- CM/PM
- Federal Clients
Community engagement that demonstrates LCA’s value to public health and the environment

• Hydromania
• Plant tours
• Annual Boy Scouts fundraising
• Operations Assistance Committee update meetings
• Hauler program
• STEM Camp
Leveraging our relationship for future partnership growth

- Contract executed after 2009 competitive renewal has potential for two 5-year extensions beyond 2018
- Positive discussions with LCA staff about extending service partnership
- CH2M assisted LCA in evaluating BBR Loading predictions at no cost
- Long-term deal provides cost stability for LCA over time
- CH2M’s extensive resources at LCA’s disposal
- Established relationship includes built-up trust and respect
Partnership achievements over 20 years

- Formed productive business ties with waste haulers and key industrial customers
- Received various awards from PWEA and EPWPCOA for safety, maintenance, operations and more
- Regular compliance and uninterrupted operations
- Added value to LCA’s transition for the City of Allentown’s assets
- Consistently attract industrial customers and haulers via efficiency, cost control, process engineering and marketing of waste-hauler program
Building Blocks for Contract Extension

• LCA assumed ownership of the PTP in 2009
• Issued RFP for new contract operator
• OMI / CH2M highly competitive
• Contract negotiated included renewal options in 5-year increments
• Last renewal was in 2013, followed by LCA staff / Board agreement to negotiate longer contract term
  – Avoid ongoing costly cycle of contract negotiations
  – Allow for longer-term investments in the facility
• LCA staff / Board reconfirmed this direction in 2016
• 12 months of negotiations complete!
Highlights of Terms Negotiated

• New “restated” contract includes numerous minor updates to clean up language, remove references to County of Lehigh, update insurance requirements, etc.

• Three primary changes with substance:
  – Annual Rate Adjustment – establish 1.5% minimum
  – Hauler Program Redefined
  – CH2M Commitment to Key Projects / Cost Savings
Annual Rate Adjustment

Annual Rate Adjustment = 70% of CPI Change + 30% of ECI Change

CPI = Consumer Price Index (inflation)
ECI = Employee Cost Index
Northeast & Philadelphia regions

10-Year Historical Averages:

CPI = 1.71%
ECI = 2.36%

New Contract Term: Provides a minimum threshold of 1.5% for the annual rate adjustment

Minimal impact under normal economic conditions

Provides revenue stability for CH2M to allow for commitment to capital investments
Hauler program updates

• Updated Hauler Permits
• New Generator Permits for Special Wastes
• Undergoing refinement of program as a team using combined experience and common goals – revamping permitting process and local limits
• Protect facilities, maximize revenue through developing market and rate structure and understand treatment strengths and weaknesses
• Ensures greater accountability for haulers/generators; improves protections for CH2M
## Optimizing processes and cost sharing

### Table 1. LCA Guaranteed Annual Savings Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Annual Guaranteed Savings</th>
<th>Year Savings Would Begin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orege Dewatering Improvements</td>
<td>Install and operate Orege sludge conditioning to increase dewaterability and reduce solids disposal costs.</td>
<td>$30,000</td>
<td>2017</td>
</tr>
<tr>
<td>Aeration Deck Mixers</td>
<td>Install new motors and VFDs on selected mixers to reduce energy costs.</td>
<td>$20,000</td>
<td>2019</td>
</tr>
<tr>
<td>Hypochlorite System Improvements</td>
<td>Optimize hypochlorite usage with chemical feed equipment and system changes.</td>
<td>$10,000</td>
<td>2017</td>
</tr>
<tr>
<td>Value Added Services</td>
<td>No longer bill LCA for out of scope items related to FEB and additional sampling requested.</td>
<td>$13,000</td>
<td>2017</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>$73,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
An overall good deal for LCA

In addition to receiving benefit of the partnership with CH2M, operating cost is comparable to LCA estimated cost to operate in-house.

<table>
<thead>
<tr>
<th>CH2M-OPERATED</th>
<th>LCA-OPERATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Actual</td>
<td>2017 Estimated</td>
</tr>
<tr>
<td>Budget</td>
<td>Budget</td>
</tr>
<tr>
<td>Personnel, Overtime &amp; Benefits</td>
<td>59,063</td>
</tr>
<tr>
<td>Purchase of Services</td>
<td>7,660,441</td>
</tr>
<tr>
<td>Supplies &amp; Equipment</td>
<td>7,500</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,350,000</td>
</tr>
<tr>
<td>TOTAL OPERATING BUDGET</td>
<td>$ 11,077,004</td>
</tr>
</tbody>
</table>

Cost comparison shown above excludes:

- Value added (cost avoided) via access to CH2M engineering expertise, public outreach, etc.
- One-time transition cost (estimated at $1 to $1.5 million) to transition plant operation to LCA.
- LCA cost to implement capital investments that CH2M will fund.
LCA + CH2M = a winning combination

• Proven, tested partnership
• Investment in the future
• Additional capabilities, resources and expertise

DISCUSSION / QUESTIONS?