

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY



WATER SYSTEM OPERATION AND MANAGEMENT CONTRACT
AMENDMENT AND EXTENSION

PUBLIC HEARING PRESENTATION

JANUARY 4, 2018



AGENDA

- Brief Discussion of Contracting Process
- Benefits of Contract Extension Process
- SUEZ Qualifications
- Overview of Negotiated Terms and Conditions
- Contract Costs
- General Summary of Benefits
- Next Steps and Schedule

Overall Goal of JCMUA

Utilize contract extension options included in current contract to extend the Operation and Management services being provided by SUEZ for the past 20 years, while at the same time amending the extended contract to incorporate additional services, incorporate modern technology and maintenance approaches, clarify conflicting contract language, and provide for a mutually acceptable contractual relationship that will benefit all JCMUA customers

Contracting Process to Date

EVENT		DATE
1	JCMUA and SUEZ engaged negotiations of contract extension	Initiated in August 2016
2	Completion of Negotiations and Draft Contract Extension and Amendment	June 2017
3	Notice of Public Hearing	December 15, 2017
4	Public Hearing	January 4, 2018

Summary of Negotiation Process

- JCMUA and its team of professionals undertook nearly 12 months of direct face to face negotiation with SUEZ representatives;
- The JCMUA and SUEZ worked cooperatively to draft a contract amendment and extension, contract schedules and a revised scope of services;
- Significant effort was made to include an updated and modern approach to the scope of services, repairs and maintenance, security and meter technology.

Benefits of Contract Extension Process

- Continuation of an existing well performing contractual relationship between the JCMUA and SUEZ;
- Retention of SUEZ' institutional knowledge relative to the JCMUA water supply and treatment system gained from over 20 years of operation; and
- Avoidance of delays and pitfalls commonly associated with transition of services between incumbent and newly selected operators

SUEZ Qualifications

- Operates 20 water and 5 wastewater facilities throughout New Jersey, with 74 contracts nationwide;
- Proven capability in operating water supply systems, including reservoirs;
- Financial strength – net worth of over \$1 Billion and consolidated revenue of \$1.275 billion in 2016;
- Performed successfully for the JCMUA since 1996;
- Thoughtful approach to operation, maintenance and repairs.

Overview of Negotiated Terms

- Contract Term extension for nine (9) years beginning April 1, 2018 and expiring on March 31, 2027;
- Option Extension Payment from SUEZ to the JCMUA in the estimated amount of \$316,581;
- Updated Security Protocols and use of remote security technology;
- Transfer of traffic and paving coordination from SUEZ to JCMUA;
- Energy Cost Reduction Planning assistance from SUEZ;
- Establishment of a budgeted Annual Maintenance Cap based upon historic maintenance experience as well as a Per Event Cap which provides flexibility for JCMUA;
- Design, procurement, construction and implementation of Advanced Metering Infrastructure – incentive based implementation with guaranteed revenue projection;

Overview of Negotiated Terms and Conditions, cont.

- JCMUA maintains full control over its water supply system;
- JCMUA maintains full control over water rates;
- Annually renewable Performance Bond and Labor and Materials Payment Bond;
- Parent Guaranty – Provided by SUEZ Water, Inc.;
- Full compliment of insurance; and
- Upgrade and modernization of JCMUA meter fleet to AMI
- Appropriate and clear risk apportionment between the parties;
- Updated maintenance requirements;
- Updated Security Protocols and use remote security technology

Projected Contract Savings

- SUEZ management fees paid by JCMUA in 2016 amounted for \$14.7M
- Starting in 2018, fee reduction of approximately \$800k/year despite growing water services needs in Jersey City

Results in \$7.8M savings for JCMUA over the 9-year term of the extended contract (including annual inflation but excluding any electricity savings)

General Summary of Benefits

- Modernization of JCMUA Meter Fleet resulting in improved revenue integrity;
- JCMUA maintains full control over the water supply system and water rates;
- Appropriate and clear risk apportionment between the parties;
- Updated maintenance requirements;
- Development of an Energy Cost and Usage Reduction Plan to reduce energy consumption and associated carbon emission;
- Updated Security Protocols and use remote security technology.

Next Steps

	TASK	DATE
1	Hold open public comment period for 7 days	January 11, 2018
2	Prepare Hearing Report and Application to Review Agencies	By January 16, 2018
3	JCMUA authorizes submission of Application	January 17, 2018
4	Submit Application to Review Agencies	January 19, 2018
5	Obtain Agency Approvals	By March 29, 2018
6	JCMUA authorizes contract execution	March 2018
7	Effective Date of Contract Amendment and Extension	April 1, 2018

Submission of Public Comment

- Public Comment may be submitted to:

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