

5. WHOLESALE CUSTOMERS OF PWD DURING FISCAL YEAR 2011

The Department is permitted, via ordinance, to provide wholesale water and sewer service to jurisdictions outside of the City's borders. This "wholesale" service is provided via agreement. Service is limited to delivery of water or acceptance of wastewater at the City border.

Wastewater Customer	Revenues
Delcora	\$ 8,857,559
Bucks County Water & Sewer Authority	7,032,982
Cheltenham Township	3,206,008
Upper Darby Township	2,726,033
Lower Southampton Township	2,679,088
Lower Merion Township	2,376,781
Springfield Township - Erdenheim	1,466,265
Bucks (for Bensalem)	1,447,024
Abington Township	1,220,131
Lower Moreland Township	700,356
Springfield Township - Wyndmoor	238,807
Total	\$ 31,951,034
Water Customer	Revenues
Bucks County Water & Sewer Authority	\$ 6,481,920
Aqua PA	3,445,684
Total	\$ 9,927,604
Total Wholesale Revenues	\$ 41,878,638

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2011 and 2010 consisted of the following:

Fiscal Years Ended	June 30, 2011	June 30, 2010
Land	\$ 5,919,160	\$ 5,919,160
Buildings and related improvements	1,446,222,750	1,427,513,880
Meters and other improvements	96,866,875	96,773,569
Equipment	68,098,745	69,993,066
Transmission and distribution lines	1,958,386,850	1,887,148,203
Construction in progress	270,769,067	204,590,604
Total	\$ 3,846,263,447	\$ 3,691,938,482
Less: Accumulated Depreciation	(1,959,538,121)	(1,880,592,059)
Total	\$ 1,886,725,326	\$ 1,811,346,423

7. IMPAIRED ASSETS

Government Accounting Standards Board (GASB) Statement 42 requires the disclosure of the impairment of any major capital assets. Over the years there have been a number of PWD assets that were either damaged or destroyed, were abandoned or became functionally obsolete.

In the past, as these assets were removed from service their cost was removed from Utility Plant in Service. Assets that were removed from service include the first Mixing & Receiving building at our Biosolids Recycling Center (BRC) which was destroyed by fire in the early 1990s; the grit, scum and screenings incinerators and related handling equipment at our wastewater plants which were abandoned due to clean air permit considerations; the chlorine facilities at our water and wastewater plants that were replaced due to safety and clean air act considerations; and the high pressure fire system which was removed from service in January 2005 when it was determined to be functionally obsolete.

One additional facility remains in service, which has become "functionally obsolescent" – the portion of our Biosolids Recycling Center which performs composting. Composting of our sludge products was stopped in approximately March of 2007 as an interim solution to the air management problems that have occurred at this site. A permanent solution for sludge processing that does not involve composting is still in the development. PWD's engineering division estimates the

value of the compost facilities that are "functionally obsolescent" (these were built in conjunction with the remaining BRC facilities which will remain in service such as the mixing/receiving building, administrative offices and the dewatering facility) to be in the area of \$20 million, including the value of any land acquisition and site preparation costs.

In the summer of 2003, the Water Department began a process to move to an entirely Class A biosolids process – one that could operate in Philadelphia without odors. PWD entered into a contract with the engineering consultants Camp, Dresser & McKee to assist with procurement of facilities and services for Philadelphia, to operate the dewatering station for 20 years, and to construct new facilities to produce Class A biosolids products. Alternative processes identified for this procurement process included fully enclosed composting systems and heat-drying technologies.

The Request for Qualifications was released in August 2003 and, in response, the City received qualification statements from four teams, of which two were found qualified and invited to receive a Request for Proposals. One team, Philadelphia Biosolids Services, LLC ("PBS") submitted a proposal on November 24, 2004. This team offered to build a pair of sludge dryers. The Water Department has negotiated a long-term contract with PBS for improvements to the Biosolids Recycling Center. The contract includes a provision for interim operation of up to five years, during which PBS will take over operation of the existing Biosolids Recycling Center. Within the first three to five years, PBS will finance, design, build, own and operate a thermal drying facility that will handle all of the sludge processed by the Water Department and make a Class A product in the form of pellets that can be used as fertilizer and has potential as a fuel. PBS will be responsible for the disposition of the Class A pellets, thus relieving the Water Department of this burden. The Class A period of operation will last twenty years with a five-year renewal at the option of the Water Department. The project is estimated to result in a savings of approximately \$200 million over the contract life. On June 19, 2008, City Council passed enabling legislation to allow the proposed contract to proceed. Mayor Nutter approved the contract with PBS in October 2008 and PBS has been operating the facility since October 13, 2008. Total payments for Fiscal Year 2009 were \$12,609,352. Total payments for Fiscal Year 2010 were \$22,828,657. Total payments for Fiscal Year 2011 were \$21,418,021. The Fiscal Year 2012 proposed budget includes \$22,510,000 for payments to PBS.

5. WHOLESALE CUSTOMERS OF THE PHILADELPHIA WATER DEPARTMENT DURING FISCAL YEAR 2012

The Department is permitted, via ordinance, to provide wholesale water and sewer service to jurisdictions outside of the City's borders. This "wholesale" service is provided via agreement. Service is limited to delivery of water or acceptance of wastewater at the City border.

Wastewater Customer	Revenues
Delcora	\$ 8,440,530
Bucks County Water & Sewer Authority	7,820,704
Cheltenham Township	4,278,091
Upper Darby Township	3,451,100
Lower Merion Township	2,804,665
Lower Southampton Township	2,200,955
Springfield Township - Erdenheim	1,685,156
Springfield Township - Wyndmoor	232,623
Bucks (for Bensalem)	1,797,944
Abington Township	1,433,486
Lower Moreland Township	797,524
Total	\$ 34,942,778

Water Customer	Revenues
Bucks County Water & Sewer Authority	\$ 7,203,094
Aqua PA	3,797,974
Total	\$ 11,001,068

Total Wholesale Revenues	\$ 45,943,846
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6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2012 and 2011 consisted of the following:

Fiscal Years Ended	June 30, 2012	June 30, 2011
Land	\$ 5,919,160	\$ 5,919,160
Buildings and related improvements	1,502,631,912	1,446,222,750
Meters and other improvements	98,531,871	96,866,875
Equipment	70,186,352	68,098,745
Transmission and distribution lines	1,989,424,359	1,958,386,850
Construction in progress	314,162,257	270,769,067
Total	\$3,980,855,911	\$ 3,846,263,447
Less: Accumulated Depreciation	(2,042,853,872)	(1,959,538,121)
Total	\$ 1,938,002,039	\$ 1,886,725,326

7. IMPAIRED ASSETS

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In the past, as these assets were removed from service, their cost was removed from Utility Plant in service. Assets that were removed from service include: the first Mixing & Receiving building at our Biosolids Recycling Center which was destroyed by fire in the early 1990s; the grit, scum and screenings incinerators and related handling equipment at our wastewater plants which were abandoned due to Clean Air act considerations; the chlorine facilities at our water and wastewater plants that were replaced due to safety and Clean Air act considerations; and the high pressure fire system which was removed from service in January 2005 when it was determined to be functionally obsolete.

One additional facility remains in service, which has become "functionally obsolescent"—the portion of our Biosolids Recycling Center which performs composting. Composting of our sludge products was stopped in approximately March of 2007 as an interim solution to the air management problems that have occurred at this site. A permanent solution for sludge processing that does not involve composting is still in development. PWD's engineering division estimates the value of the compost facilities that are "functionally obsolescent" (which were built in conjunction with the remaining BRC facilities which will remain in service such as the mixing/receiving building, administrative offices and the dewatering facility) to be in the area of \$20 million, including the value of any land acquisition and site preparation costs.

In the summer of 2003, the Water Department began a process to move to an entirely Class A biosolids process, and one that could operate in Philadelphia without odors. PWD entered into a contract with the engineering consultant firm Camp, Dresser & McKee to assist with procurement of facilities and services for Philadelphia to operate for 20 years the dewatering station, and to construct new facilities to produce Class A biosolids products. Alternative processes identified for this procurement process included fully-enclosed composting systems and heat-drying technologies.

The Request for Qualifications was released in August 2003, and, in response, the City received qualification statements from four teams, of which two were found qualified and invited to receive a Request for Proposals. One team, Philadelphia Biosolids Services, LLC ("PBS") submitted a proposal on November 24, 2004. This team offered to build a pair of sludge dryers. The Water Department has negotiated a long term contract with PBS for improvements to the Biosolids Recycling Center. The contract includes a provision for interim operation of up to five years, during which PBS will take over operation of the existing Biosolids Recycling Center. Within the first three to five years, PBS will finance, design, build, own and operate a thermal drying facility that will handle all of the sludge processed by the Water Department and make a Class A product in the form of pellets that can be used as fertilizer and has potential as a fuel. PBS will be responsible for the disposition of the Class A pellets, thus relieving the Water Department of this burden. The Class A period of operation will last twenty years, with a five-year renewal at the option of the Water Department. The project is estimated to result in a savings of approximately \$200 million over the contract life. On June 19, 2008, City Council passed enabling legislation to allow the proposed contract to proceed. Mayor Nutter approved the contract with PBS in October 2008 and PBS has been operating the facility since October 13, 2008. Since fiscal year 2009, payments consisted of the following:

PHILADELPHIA WATER DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2014 and 2013 consisted of the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Fiscal Year Ended June 30, 2014				
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 5,919,160	\$ -	\$ -	\$ 5,919,160
Construction in Progress	373,844,154	140,968,008	(153,220,212)	361,591,950
Total Capital Assets Not Being Depreciated	<u>\$ 379,763,314</u>	<u>\$ 140,968,008</u>	<u>\$ (153,220,212)</u>	<u>\$ 367,511,110</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and related improvements	1,517,587,479	44,662,033	(10,269,725)	1,551,979,787
Intangible Assets	12,234,866	738,640	-	12,973,506
Equipment	73,485,553	20,255,147	(22,200,434)	71,540,266
Infrastructure	2,155,403,733	107,998,169	(7,360,430)	2,256,041,472
Total Capital Assets Being Depreciated	<u>\$ 3,758,711,631</u>	<u>\$ 173,653,989</u>	<u>\$ (39,830,589)</u>	<u>\$ 3,892,535,031</u>
<u>Less Accumulated Depreciation For:</u>				
Buildings and related improvements	(888,398,708)	(41,711,939)	7,267,028	(922,843,619)
Intangible Assets	(6,129,171)	(1,260,419)	-	(7,389,590)
Equipment	(65,974,792)	(2,723,579)	5,466,741	(63,231,630)
Infrastructure	(1,158,622,726)	(44,826,982)	7,360,430	(1,196,089,278)
Total Accumulated Depreciation	<u>(2,119,125,397)</u>	<u>(90,522,919)</u>	<u>20,094,199</u>	<u>(2,189,554,117)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,639,586,234</u>	<u>83,131,070</u>	<u>(19,736,390)</u>	<u>1,702,980,914</u>
Total Capital Assets	<u>\$ 2,019,349,548</u>	<u>\$ 224,099,078</u>	<u>\$ (172,956,602)</u>	<u>\$ 2,070,492,024</u>
Fiscal Year Ended June 30, 2013				
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 5,919,160	\$ -	\$ -	\$ 5,919,160
Construction in Progress	314,162,257	63,795,220	(4,113,323)	373,844,154
Total Capital Assets Not Being Depreciated	<u>\$ 320,081,417</u>	<u>\$ 63,795,220</u>	<u>\$ (4,113,323)</u>	<u>\$ 379,763,314</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and related improvements	1,502,631,913	19,703,244	(4,747,678)	1,517,587,479
Intangible Assets	11,414,581	820,285	-	12,234,866
Equipment	70,186,353	20,219,282	(16,920,082)	73,485,553
Infrastructure	2,076,541,650	86,819,904	(7,957,821)	2,155,403,733
Total Capital Assets Being Depreciated	<u>\$ 3,660,774,497</u>	<u>\$ 127,562,715</u>	<u>\$ (29,625,581)</u>	<u>\$ 3,758,711,631</u>
<u>Less Accumulated Depreciation For:</u>				
Buildings and related improvements	(852,672,838)	(40,473,548)	4,747,678	(888,398,708)
Intangible Assets	(4,946,699)	(1,182,472)	-	(6,129,171)
Equipment	(64,047,323)	(2,670,465)	742,996	(65,974,792)
Infrastructure	(1,121,187,009)	(44,718,881)	7,283,164	(1,158,622,726)
Total Accumulated Depreciation	<u>(2,042,853,869)</u>	<u>(89,045,366)</u>	<u>12,773,838</u>	<u>(2,119,125,397)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,617,920,628</u>	<u>38,517,349</u>	<u>(16,851,743)</u>	<u>1,639,586,234</u>
Total Capital Assets	<u>\$ 1,938,002,045</u>	<u>\$ 102,312,569</u>	<u>\$ (20,965,066)</u>	<u>\$ 2,019,349,548</u>