

# Chesapeake – Portsmouth Water Contract Beneficial for All

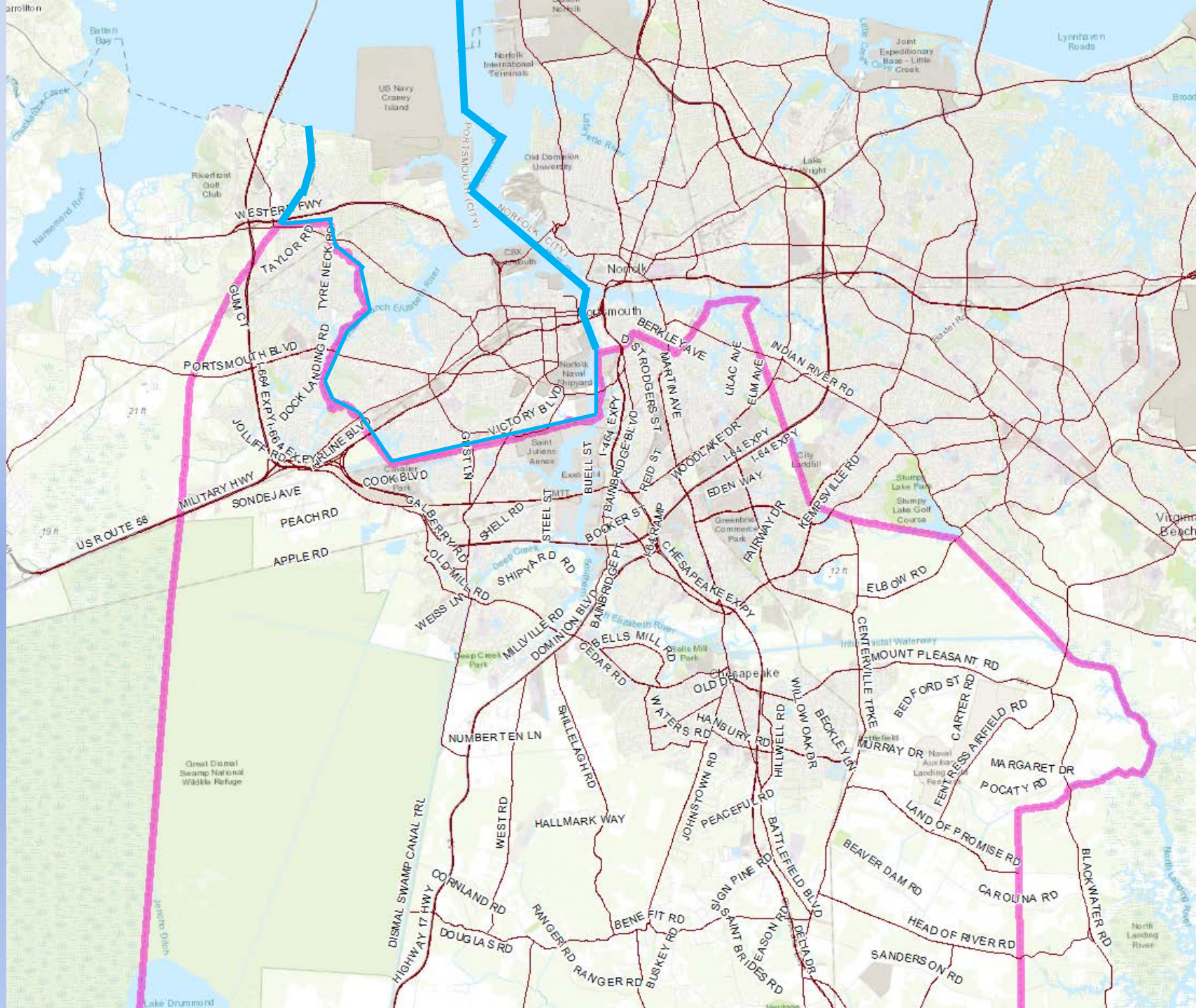


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Cities Of Portsmouth and Chesapeake, VA  
HRPDC Board Meeting  
18 October, 2018



# Background

- **Original Agreement in 1969**
- **Existing Agreement executed 1990; amended 1996**
  - **Chesapeake purchases 4 million gallons/day (mgd)**
  - **Purchase increases to 5 mgd in 2020**
  - **Take-or-Pay contract**
  - **Expired December 31, 2026**
- **Price Based on Residential Rates, Highest of**
  - **150% of Portsmouth's residential rate**
  - **100% of Chesapeake's residential rate**
- **Serves Chesapeake's Western Branch, Cavalier Areas**



# Chesapeake's Perspective

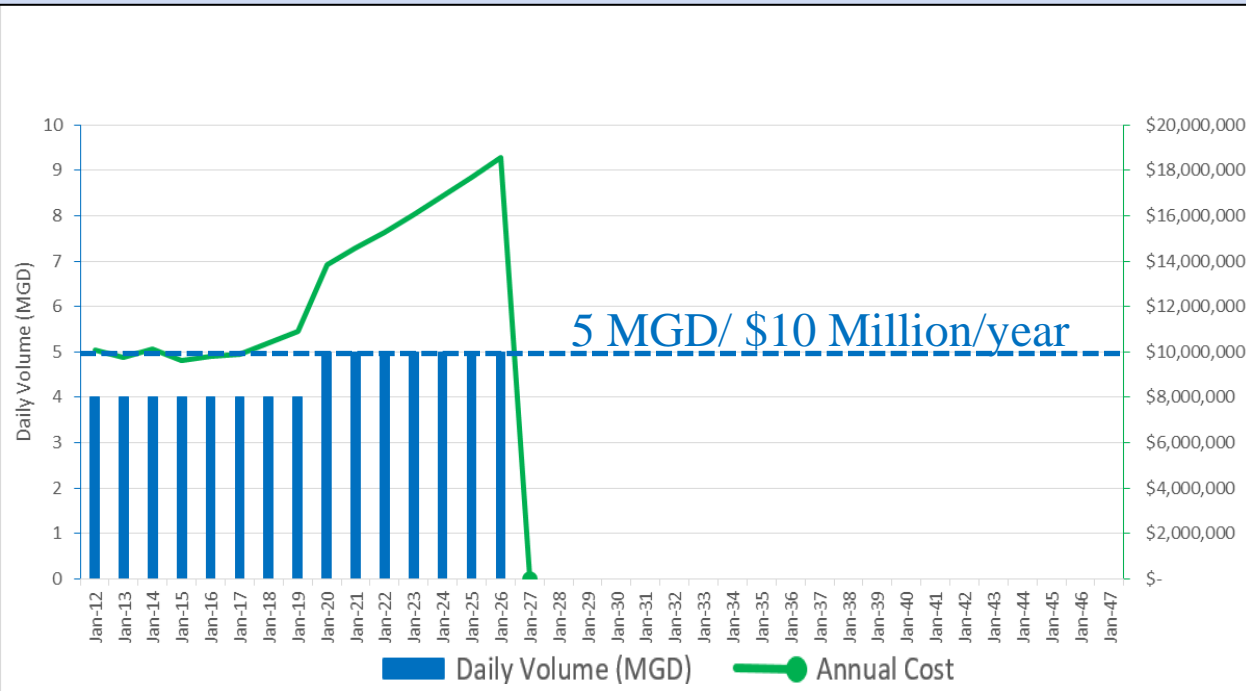
- **Could Not Continue to Buy Water at a Loss**
  - **Paying \$7.11/1,000 gallons to Portsmouth**
  - **Receiving \$6.75/1,000 gallons from customers**
- **Had Adequate Facilities to Succeed Without Portsmouth Water**
- **Benefit From Portsmouth Supply**
- **Needed to Uncouple Residential Rates from Contract**
- **Desired Predictable Long-Term Costs**
- **Needed to Clean-Up Fringe Area Accounts**

# Portsmouth's Perspective

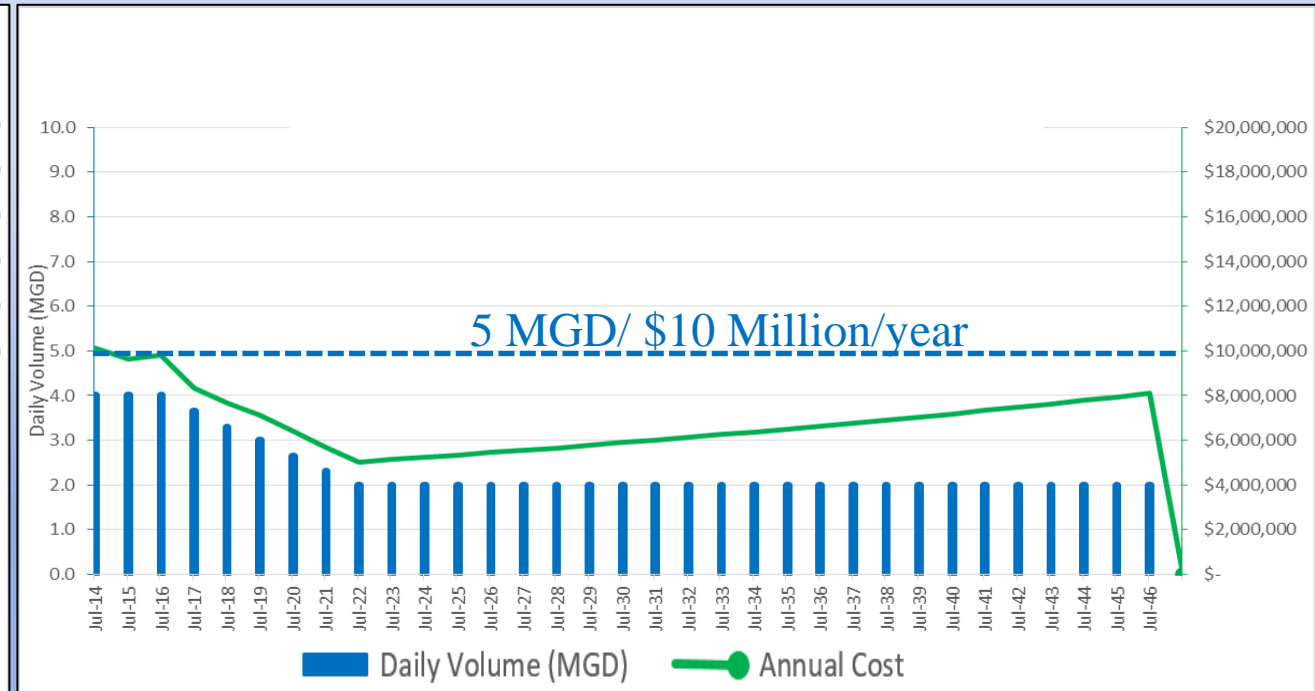
- **Excellent Revenue Through Term of Contract**
- **Largest Customer Disappears December 31, 2026**
- **Long-Term Financial Planning**
- **No Capital Investment Needed**

# Contract Payment Comparison

## Existing Contract



## New Contract



### LEGEND

Daily Volume (MGD)



Annual Cost (\$)



# ***DISCUSSION***