

## THE DC HEIGHTS OF UTILITY COOPERATION

DC WATER GENERAL MANAGER GEORGE HAWKINS TELLS GWI  
WHY PEER-TO-PEER CONSULTING IS THE FUTURE OF US WATER

## REINVENTING THE SAUDI WATER GIANTS

RIYADH UNVEILS NEW PLANS TO ALTER THE ROLE OF  
STATE WATER BODIES - AND ROLL OUT A PPP BONANZA

## BREWING UP A WASTEWATER STORM

GWI SURVEYS THE CRAFT BEER BREWING INDUSTRY. WHAT IS  
DRIVING THE BOOM IN WASTEWATER SPENDING?



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Media Analytics Ltd.  
Suite C, Kingsmead House  
Oxpens Road  
Oxford OX1 1XX  
United Kingdom  
T: + 44 (0)1865 204 208  
F: + 44 (0)1865 204 209

**E-mail domain name:**  
globalwaterintel.com

**Publisher:**

Christopher Gasson  
cg@globalwaterintel.com

**Editor-in-Chief:**

Ian Elkins (E-mail: ie@)

**Deputy Editor:**

Tom Scotney (E-mail: ts@)

**Managing Editor:**

Sebastian Lennox (E-mail: sl@)

**North America Editor:**

Paul Hasler (E-mail: ph@)

**Technology Editor:**

Charlie Walker (E-mail: cw@)

**Technology Consultant:**

Tom Pankratz (E-mail: tp@)

**Head of Marketing:**

Chantal Marchesi (E-mail: cmarchesi@)

**Head of Sales:**

Mark Richards (E-mail: mark.richards@)

**Advertising Executive:**

Ruth Newcombe (E-mail: rn@)

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Cover picture: DC Water



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# WATER LEADER



## FROM THE LEADERS

# DC Water sets the stage for utility collaboration with Blue Drop initiative

A “peer-to-peer” consulting company created by DC Water intends to facilitate greater collaboration between municipal water utilities in the US. DC Water’s general manager, George Hawkins, is confident the initiative will unlock opportunities for all water stakeholders.

**D**C Water has created a stand-alone non-profit company called Blue Drop, which will provide consulting services to municipal water utilities in the US. George Hawkins, general manager at DC Water, has explained his vision behind the concept to GWI this month, including how he expects it to catalyze collaboration in the water sector.

The decision to develop Blue Drop has

its root in the same problem facing many water utilities across the US: the inability to generate sufficient revenues to cover the mounting cost of capital improvement requirements.

DC Water has consecutively increased tariffs each year since 2009, aided in part by strong marketing and public outreach efforts. However, in order to meet its future infrastructure investment requirements,

Hawkins and the DC Water board recognised the need to develop additional non-rate revenue streams.

“Despite the tremendous additional revenue we’ve been able to raise over seven years, we still need another \$1 billion for capital improvements on the sewer side,” Hawkins told GWI. “The numbers are huge, especially when you’ve already gone to the lengths that we have.” ▶

As one of the largest utilities in the country, and through the significant investments it has made to date, DC Water has built up an extensive base of knowledge and expertise which Hawkins believes can be harnessed to generate additional revenues.

“We have the size and capacity to try and do a lot of different things – we have a large research and development facility and recruit some of the best talent in the industry – but our ratepayers are the ones making that investment,” Hawkins explained.

“Having invested in all of this skill, talent and ideas, how can we use that capacity to firstly generate revenues back for

our ratepayers, and secondly improve the uptake of new technologies and approaches in an industry where water utilities are often hesitant to try new things or too small to reach the point of uptake?”

“We thought we could build something to help solve both of those issues.”

Besides its tariff restructuring initiatives, DC Water is renowned for some of the innovative financial methods it has employed – such as the issuance of the \$350 million green century bond in 2014 – and the public outreach and customer engagement practices which have often gone hand-in-hand. In addition, it has developed specific technological expertise

through the advanced treatment processes employed at its Blue Plains WWTP, such as the Cambi thermal hydrolysis process.

It is this pool of owner-operator expertise that Blue Drop will harness to provide advisory services to other water utilities under the public-public consulting model which Hawkins describes as “P2”.

“The advantage Blue Drop will have is that we’re one of them,” Hawkins explained. “We’re not going to advise municipalities to buy anything they don’t need – with the exception of our own technologies, we have no stake in most of things we’re advising on.”

The decision to create Blue Drop as a ▶

DC Water’s Blue Plains WWTP is the first facility in the US to adopt Cambi’s thermal hydrolysis process



Source: DC Water

standalone company, rather than another operating arm of DC Water, was made for a number of reasons. The first is transparency: if Blue Drop is hidden within the \$1.2 billion annual operating and capital budget of DC Water then it will be more difficult to keep track of how successful it is.

“I think [Blue Drop] is going to work, but I don’t know for sure,” Hawkins admitted. “I want it to be clear so that we can show anyone exactly what we put in it, and exactly what we gained back.”

In addition, a separate entity provides risk security for the ratepayer should the initiative fail, and its five-person board (chaired by Hawkins himself), rather than

“ Blue Drop is connected to us, but it’s not DC Water. It will have its own books, we will be able to monitor its performance, and it can move quickly in the market place.

the 22-person board of DC Water, will allow it to be more “nimble and quick” in the marketplace, Hawkins explained.

Finally, Hawkins observed that some cities run into political difficulties when making a case for hiring another city to assist them with their water and wastewater systems – the fact that Blue Drop is

nominally separate from Washington DC’s utility will be an advantage here.

“Blue Drop is connected to us, but it’s not DC Water,” Hawkins said. “It will have its own books, we will be able to monitor its performance, and it can move quickly in the market place.”

Hawkins had explored establishing Blue Drop as a profit-making company, but realised it would be easier to gain board approval for a non-profit entity in the first instance. However, once the business gains traction there will be scope to change this.

“There have been some questions as to whether Blue Drop should be profit-making and paying taxes like other firms,” Hawkins observed. “My reaction is: If it ever gets to the point of making profits, then I’m happy to pay! We’ll do whatever is fair. At the moment we are just beginning to invest in it.”

DC Water is expecting to provide a \$5 million cash injection within the next couple of months, which Blue Drop will draw down to cover its expenses – including the hours that DC Water employees spend working on Blue Drop projects.

“After we pay Blue Drop expenses, reimburse DC Water, and determine whether we are going to reinvest any capital into building Blue Drop, any net revenues will flow back to DC Water to defray ratepayer cost – which is why the board hopes it will make millions!”

Initially manned by two mostly full-time staff – DC Water’s chief marketing officer Alan Heymann and assistant Gloria Cadavid – Blue Drop will draw on the expertise of DC Water staff as and when required.

Hawkins acknowledges that the interplay of personnel between DC Water and ▶

General Manager George Hawkins has also championed DC Water’s biosolids programme



Source: DC Water



Blue Drop will be one of the unique business challenges of scaling up the company. Ultimately he hopes to reach a point where Blue Drop will be generating enough revenues to build up its own pool of dedicated staff.

“We need to get to a critical mass where Blue Drop can employ young engineers who can go to the client and do enough assessment work so instead of spending one week on a project, the experts at DC Water just have to spend one day.”

It is hoped that Blue Drop will begin generating an independent revenue stream beyond the return on initial capital for DC Water within an initial three-year trial period. Despite being incorporated just last month, Blue Drop has already completed its first contracts, including consulting on external affairs for 22 municipalities implementing combined sewer overflow controls in New Jersey.

Besides the consulting services it will offer, other non-rate revenue activities could be housed within the Blue Drop vehicle, including the marketing of DC Water’s biosolids fertiliser Bloom, which was launched in May 2016 – with 450 tonnes currently produced each day, it represents another significant potential revenue source.

**From a Drop to a Wave**

Assuming the success of Blue Drop’s peer-to-peer consulting model, DC Water’s longer-term vision is to create a platform which will allow utilities to share expertise, knowledge and resources, resulting in what Hawkins dubs a “Blue Wave”.

“We don’t need this to be DC Water only – if other big cities have something they can offer to smaller utilities through a network that we create then I’m all in favour of that,” Hawkins explained. “Whatever Blue Drop evolves into or becomes part of, any utility should be able to come in as a provider or a user.”

The advent of such public-public partnerships may spell competition for the private sector, but Hawkins is confident that it will result in more opportunities for all stakeholders.

“I actually think it is going to generate more activity for all kinds of firms,” Hawkins maintained. “We’re not really talking about advising a utility that already knows what it wants to do and is doing it. It’s the tens of thousands of utilities that aren’t.”

This would unlock work that otherwise would not be happening, Hawkins suggested, thereby creating opportunities for private sector technology, engineering and construction partners.

“We’re not going to be building things,

“We’re not really talking about advising a utility that already knows what it wants to do and is doing it. It’s the tens of thousands of utilities that aren’t.

we’re not going to be doing engineering designs, so all that work will go to other firms,” Hawkins observed. “This can create new activity that will benefit private companies as well as the utilities.”

The advantage of smaller utilities pooling resources is that it results in economies of scale, thereby allowing projects to be procured that would otherwise not be cost effective.

“When we were evaluating options for biosolids management, we never stuck our head up to see whether other utilities in the US were asking the same question, and whether any were thinking of doing a procurement in the next six months and jointly sharing the costs of a technical

evaluation,” Hawkins explained. “Imagine if we had 20 utilities – the buying power would be incredible, instead of each putting together their own package.”

In the context of a market which is often constrained by its highly fragmented nature, this represents a promising prospect. “Efficiency is almost demanded – the sector is so fragmented with many small utilities paying for things over and over again,” Hawkins observed.

Out-and-out consolidation efforts, however, typically run into difficulty as soon as municipalities have to relinquish power, with Hawkins saying: “I’ve done enough municipal work around the country to know that consolidation is brutal – even when it works it can be years in the making.”

The Blue Drop platform would provide an alternative, allowing utilities to pool their resources without ceding control. Whether or not the concept gains traction, Hawkins recognises great value in DC Water’s efforts to explore solutions to the some of the challenges facing the water sector.

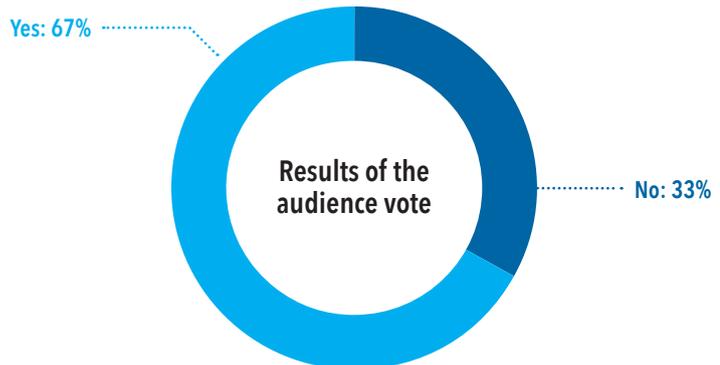
“I suppose the advantage of being DC Water is that if Blue Drop’s a total flop then we’ll be fine,” he joked. ■

“I’ve done enough municipal work around the country to know that consolidation is brutal – even when it works it can be years in the making.

**MAKING WAVES**

Audience members at the American Water Summit in Miami this month largely agreed with George Hawkins’ suggestion that Blue Drop could unlock opportunities for the private sector.

Do you think the “P2” model advanced by Blue Drop will grow the market for P3s?



Source: GWI