

# Water Purchasing Contracts

## Applicability

This BMP is intended for all water systems (“utility”) that purchase or sell water. A utility may have already accomplished this BMP if it has a written contract to purchase or sell water.

## Description

In order for many water systems (“utilities”) to meet the water supply needs of their customers, they must contract with other utilities to supply the needed water. When these contracts are developed and formalized, it is important that the seller and the buyer have a complete understanding of the requirements and expectations of the contract.

Some of the obvious contract requirements that should be documented are the volume of water committed for sale or purchase, how the cost of the water will be determined, the length of the contract, if the contract is renewable and if the water will be used on a regular or emergency basis. The contract should also indicate if the buying system is required to comply with all of the selling system’s water use restrictions when implemented. Open contracts in which a utility verbally agrees to sell water to another utility should be avoided. It is important for both utilities to maintain contractually agreed upon water volumes to facilitate good planning practices. Utilities that list contract water volumes on their local water supply plans will also facilitate a quicker review and approval of their plan.

Another important part of the contract is the conditions that will be placed on the buyer concerning efforts to implement BMPs for water conservation.

In accordance with Session Law 2011-374, all local water supply plans must include a plan for the reduction of long-term per capita demand on potable water. Since the utility selling the water must implement BMPs to meet this requirement, it would be appropriate for the sales contract to require the buying utility to also implement BMPs to reduce potable water demand. The implementation of BMPs will help reduce the amount of water used and reduce the cost of the water to the utility.

Some of the BMPs that should be considered for inclusion in the contract are requirements for:

- Water Audits
- Water Loss Abatement
- Metering
- Retrofitting of Residential Fixtures
- Public Information Program
- School Education and Outreach
- Retrofitting Irrigation Systems

- Regionally Approved Landscaping
- Rainwater Harvesting, Condensate Reuse and Gray Water Use

## **Implementation**

Utilities pursuing this BMP should begin implementing it according to the following procedure:

- Review all the wholesale water purchases and sales contracts.
- Use the sample contract enclosed (sample contracts may also be obtained from North Carolina League of Municipality) to negotiate with the purchaser or seller on price and volume.
- Decide which water efficiency practices will be asked of the purchasing entity.

## **Schedule**

To accomplish this BMP, the utility should do the following:

- The utility should develop procedures for implementation of this BMP in the first six months. The procedures should include an annual, or at least a five year review, of all information related to the established contract.
- The contract participants should develop procedures for making changes to and maintain a proactive review of the contract.

## **Scope**

To accomplish this BMP, the utility should adopt a contract within six months after implementation, and maintain a copy of the contract at the town or city hall and water treatment plant. The town or city manager, as well as the water system manager/Operator in Responsible Charge (ORC) should be well-versed with the terms of the contract.

## **Documentation**

To track this BMP, the utility should maintain the following documentation:

- A copy of its legally adopted contract should be held at town or city hall, as well as at the water treatment plant.
- A review should be made at regular intervals (annually, or at least every five years) of the contract and its applicability.
- A copy of any changes or modification to the contract should be officially amended by adoption.

## **Determination of Water Savings**

Water savings can be tracked through performance of annual water audits and implementation of other BMPs to conserve water. Water savings for the selling and buying utility should be realized as a result of contract conditions requiring the implementation of BMPs.

## **Cost Effectiveness**

The cost effectiveness of implementing this BMP can in part be determined based on the effectiveness of BMPs enacted by the buying utility. Although a true cost-effectiveness analysis cannot be determined without a measure of water savings prior to establishing a contract, the point at which this BMP is implemented can serve as the benchmark year, and successive years that reveal a reduction in water used can be used to calculate cost savings by the selling and buying utility. This BMP is an integral part of a best management practice program, and should be considered fundamental to a successful water efficiency program. In addition, by implementing this BMP, the selling utility can assure the needed water supply to the buying utility.

For comments or questions regarding the Water Purchasing Contracts BMP, please contact the water resources specialist of the Water Supply Planning Branch at 919-707-9035.

## **Additional Inter-local Water Agreement Tips**

The UNC Environmental Finance Center has developed guidelines for the crafting of inter-local agreements. These guidelines provide extensive information on items to consider when drafting water supply contracts. Those items can include service area and annexation, which party is responsible for maintaining the meter, water quality issues, water pressure requirements, how and when water rates will change, re-selling water to other systems, nonrevenue water, and inflow & infiltration (I&I). These guidelines can be found at:

[http://www.efc.unc.edu/publications/2009/water\\_partnership\\_tips.pdf](http://www.efc.unc.edu/publications/2009/water_partnership_tips.pdf).

## Purchase Water Contract Sample

State of North Carolina  
County of \_\_\_\_\_

### WATER SERVICE UTILITY AGREEMENT

THIS AGREEMENT, made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between the \_\_\_\_\_, a North Carolina (Authority, City, County, Private Entity, Sanitary Districts, Town, etc.), hereinafter referred to as "PROVIDER and the \_\_\_\_\_, a (Authority, City, County, Private Entity, Sanitary Districts, Town, etc.), hereinafter referred to as "CUSTOMER";

WHEREAS, the CUSTOMER wishes to procure a source of treated drinking water suitable for re-sale to its citizens, residents and industries; and

WHEREAS, the PROVIDER has treated drinking water available for sale to CUSTOMER; now, therefore;

WITNESSETH:

That in consideration of, and subject to, the terms and conditions hereinafter set forth, the parties covenant and agree as follows:

1. Purpose. The purpose of this Agreement is to set forth the terms and conditions by which CUSTOMER shall purchase, and PROVIDER shall sell, treated drinking water for re-sale by CUSTOMER to its constituent citizens, residents and industries.
2. Purchase and Sale. CUSTOMER agrees to buy from PROVIDER and PROVIDER agrees to sell and deliver to CUSTOMER water on the terms and conditions hereinafter set forth. The water being sold by PROVIDER shall at all times meet the standards for safe drinking water as promulgated at 40 CFR, sections 140 through 143, pursuant to the terms of the Safe Drinking Water Act at 42 USCA, all as amended from time to time, which standards have been adopted by the State of North Carolina Department of Environment and Natural Resources, under which standards PROVIDER produces water at its water treatment plant.
3. Term. This Agreement shall be effective from and after, \_\_\_\_\_ and shall continue and remain in full force and effect until and including \_\_\_\_\_ (\_\_\_ years). Either party hereto may, at any time prior to the beginning of the year before the expiration of this Agreement, give notice to the other of its desire to renew this Agreement and upon the giving of such notice, the parties hereto shall negotiate in good faith with reference to a renewal of this Agreement.

4. Construction of Water Line Appurtenances. Following permit approval by the Public Water Supply Section of the North Carolina Division of Water Resources; the CUSTOMER at its own expense shall connect its water system to that of the PROVIDER in accordance with permitting and sound engineering practices as mutually agreed upon by both parties regarding pumping capacity, size and type of materials, workmanship and location. The water line, pumps (if required) and connections shall be referred to hereinafter as "The Pipeline". The metering point(s) shall be mutually agreed upon by both parties and installed by CUSTOMER at its own expense per PROVIDER specifications and permit approval.
5. Ownership and Maintenance. The CUSTOMER will own and maintain the Pipeline up to the metering point(s). The metering point(s) will be owned and maintained by the PROVIDER. The CUSTOMER will be responsible for the cost of meter replacement when necessary.
6. Maximum Usage Limit. The CUSTOMER shall have the privilege to receive water from the PROVIDER water system with a maximum daily consumption not to exceed \_\_\_\_\_ gallons per day.
7. Treated Water Charge. The purchase rate for treated water from PROVIDER to CUSTOMER will be \$\_\_\_\_\_ per thousand gallons.
8. Invoicing. Bills for water supplied hereunder shall be rendered and paid monthly.
9. Water Related Restrictions. CUSTOMER shall be subject to PROVIDER's water conservation/restrictions policies in effect at the time of execution of this Agreement and as they may be amended. Accordingly, CUSTOMER's water supply may be preempted in the same manner and fashion as all other water users of PROVIDER.
10. Long-term Per Capita Reduction.  
In accordance with Session Law 2011-374, all local water supply plans must include a plan for the reduction of long-term per capita demand on potable water. Since the PROVIDER must implement Best Management Practices (BMPs) to meet this requirement, it is required for the CUSTOMER to also implement BMPs to reduce potable water demand. The PROVIDER will supply a list of BMPs they have implemented to the CUSTOMER as measures to implement or the Customer must demonstrate to the Provider that comparable BMPs have been previously implemented or will be implemented on an established schedule.
11. Interruption of Service. Whenever practicable, PROVIDER will notify CUSTOMER with at least twenty-four (24) hours notice prior to any interruption of service necessary due to planned maintenance, repairs or other foreseeable extent of interruption. When interruptions of service are due to emergency situations, which cannot be foreseen, the affected party will be notified as soon as possible as to the estimated duration and extent of the interruption.

12. Amendment or Termination. This Agreement may be amended or terminated only by an instrument in writing executed by both parties hereto.

IN WITNESS WHEREOF, the undersigned municipal corporations have caused this Agreement to be executed on their behalf by individuals duly authorized, all as of the day and year first above written.

PROVIDER\_\_\_\_\_

\_\_\_\_\_  
Mayor or Manager of PROVIDER

ATTEST:

\_\_\_\_\_  
PROVIDER Clerk

PROVIDER\_\_\_\_\_

\_\_\_\_\_  
Mayor or Manager PROVIDER

ATTEST:

\_\_\_\_\_  
PROVIDER Clerk  
STATE OF NORTH CAROLINA  
COUNTY OF \_\_\_\_\_

I, \_\_\_\_\_, a Notary Public of the aforesaid County and State, so hereby certify that \_\_\_\_\_, personally appeared before me this day and acknowledged that (s)he is the (Deputy) PROVIDER Clerk of the PROVIDER of \_\_\_\_\_ and that by authority duly given and as the act of the PROVIDER, the foregoing instrument was signed in its name by its \_\_\_\_\_, sealed with its corporate seal and attested by (him or her) as its (Deputy) PROVIDER Clerk.

WITNESS my hand and Notarial Seal, this the \_\_\_\_ day of \_\_\_\_\_ 20\_\_.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF NORTH CAROLINA  
COUTNY OF \_\_\_\_\_

I, \_\_\_\_\_, a Notary Public of the aforesaid County and State, so hereby certify that \_\_\_\_\_, personally appeared before me this day and acknowledged that (s)he is the (Deputy) PROVIDER Clerk of the PROVIDER\_\_\_\_\_ and that by authority duly given and as the act of the municipal corporation, the foregoing instrument was signed in its name by its \_\_\_\_\_, sealed with its corporate seal and attested by (him or her) as its (Deputy) PROVIDER Clerk.

WITNESS my hand and Notarial Seal, this the \_\_\_\_ day of \_\_\_\_\_ 20\_\_.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_