

A SURVEY ON ASSET MANAGEMENT (Abridged)

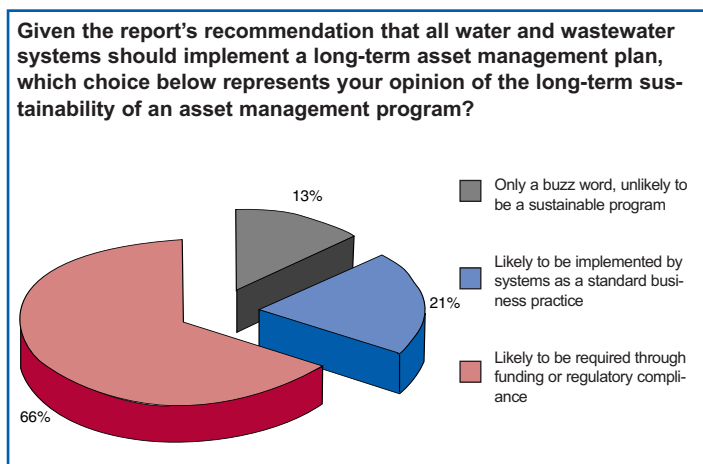
Introduction

In 2009, CET conducted a survey on asset management. The survey focused around the Governor's November 1, 2008 "Sustainable Infrastructure Task Force Report",¹ which concluded that \$113.6 billion is needed to upgrade, operate, and maintain our existing water and wastewater infrastructure in Pennsylvania over the next 20 years. The Task Force recommended that "All water and wastewater systems be required to prepare long-term asset management plans, which analyze asset condition, risk of failure, expected costs, dates of renewal and the ultimate replacement of infrastructure components."

The purpose of CET's survey was to obtain opinions from the water and wastewater industry on the perceived benefits of asset management. There were 39 survey respondents. Of the 39, 14 manage a water plant, 23 a wastewater plant, 15 a water distribution system, and 26 a wastewater collection system. Several manage more than one type of plant and/or system.

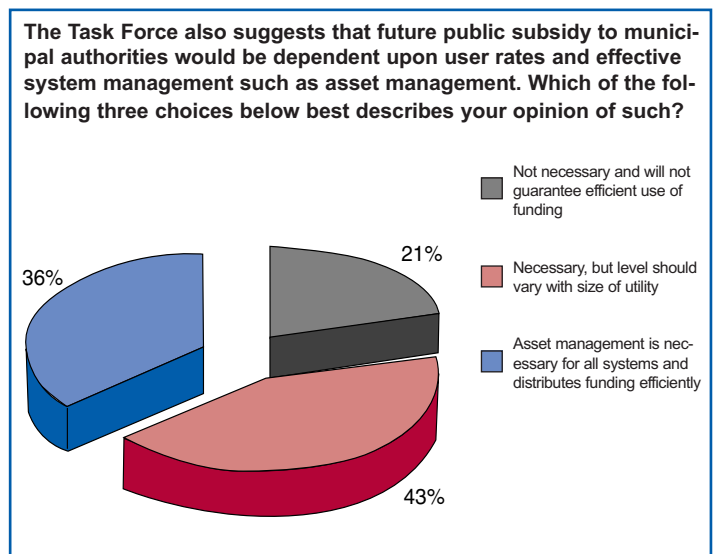
General Acceptance of an Asset Management Plan

An overwhelming majority of the respondents (34 of the 39) believe that asset management is here to stay. They responded that asset management is either likely to be required through funding or regulatory compliance or they felt that it would be implemented as a standard business practice. Just 13 percent (5 respondents) viewed asset management as a "buzz" word that is unlikely to become a sustainable program.



Although not shown in the chart above, twice as many managers of wastewater plants and sewer collection systems believe that asset management is more likely to be required through funding or regulatory compliance, than water managers.

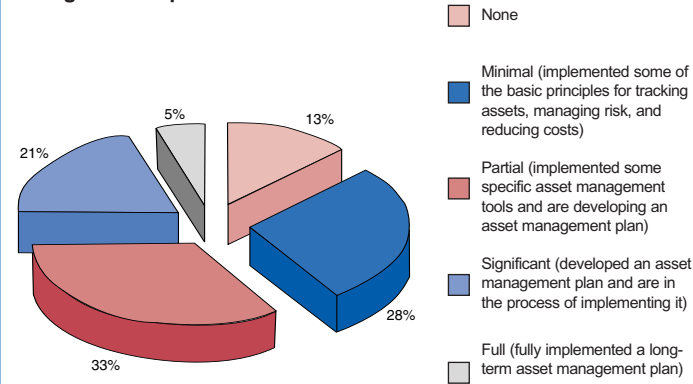
As shown in the chart below, when considering the groups of those who answered that it is necessary and those who indicated it was necessary but should vary with the size of utility, almost 80 percent of the respondents believe that future public subsidy should be dependent upon user rates and asset management implementation.



Not only do the majority believe asset management is here to stay, 34 respondents (87 percent) have begun implementing some degree of an asset management plan as depicted below. Only five of the respondents have not started on some type of asset management program.

¹ To read the "Sustainable Infrastructure Task Force Report" in its entirety, visit www.cet-inc.com and click on Knowledge Center, 2008, and 'Gov. Sustainable Infrastructure Task Force Report' under the letters category.

Which choice below best represents your current level of asset management implementation?



Benefits of Implementing an Asset Management Program

The core of the survey requested an evaluation of the anticipated benefits from implementing an asset management program in their plant/system. Twelve questions focused on operating and management practices and were to be rated from 1 to 5 (“Adversely” being 1 and “Dramatic” being 5). The top three perceived benefits for implementing an asset management plan based on overall rating, industry, size, and type of facility being managed are shown below. The calculated average is shown in parentheses.

Overall Rating

- 1st: Assist with decision making approach for capital improvements (3.8)
- 2nd: Assist with managing risk (3.7)
- 3rd: Improve ranking for funding for grants and low interest rates (3.5)

Categorized by Industry

Water

- 1st: Assist with managing risk (3.9)
- 2nd: Assist with decision making approach for capital improvements (3.8)
- 3rd: Assist with the knowledge retention and information transfer (3.6)

Wastewater

- 1st: Assist with decision making approach for capital improvements (3.8)
- 2nd: Improve ranking for funding for grants and low interest rates (3.6)
- 3rd: Assist with managing risk (3.5)

Categorized by Facility Size

Small Systems (<3 MGD)

- 1st: Improve ranking for funding for grants and low interest rates (3.7)
- 2nd: Assist with managing risk (3.6)
- 3rd: Assist with decision making approach for capital improvements (3.5)

Large Systems (>3 MGD)

- 1st: Assist with decision making approach for capital improvements (4.1)
- 2nd: Assist with managing risk (3.8)
- 3rd: Assist with the knowledge retention and information transfer, or Prolong asset life and value or Reduce disruptions to service and protect business risk exposure (3.6)

Categorized by Facility Type

Treatment Facilities

- 1st: Assist with decision making approach for capital improvements (3.8)
- 2nd: Assist with managing risk (3.6)
- 3rd: Assist with the knowledge retention and information transfer, or prolong asset life and value or Improve ranking for funding for grants and low interest rates (3.4)

Utilities (Collection and/or Distribution Systems)

- 1st: Assist with managing risk or assist with decision making approach for capital improvements (3.8)
- 2nd: Improve ranking for funding for grants and low interest rates (3.6)
- 3rd: Reduce disruptions to service and protect business risk exposure (3.5)

To review the entire results and a discussion of asset management implementation in other states, readers are referred to CET’s website at www.cet-inc.com. Click on Knowledge Center, 2010, then “Asset Management Survey Results” under the *etCETera* publications.

In conclusion, an asset management plan will assist you in producing a sustainable infrastructure by allowing for better decisions regarding acquisitions, operations and maintenance, and renewal and replacement. It is a plan that your board will understand. It is a practical, strategic, knowledge based approach for improving what utilities have always done. It does not have to be complicated and indeed should not be. Each utility can proceed at its own pace, with whatever methods and tools are appropriate for its needs and resources.

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Change of Address

Our Trevoise office has moved to Doylestown. Contact information for this new office location is:

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