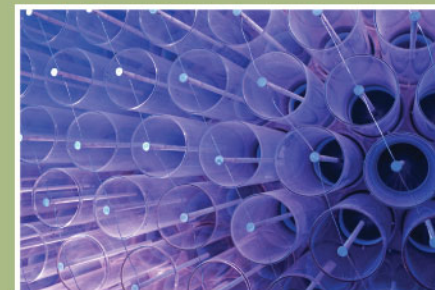




AMERICAN WATER

**Illinois American Water
Water Breakout: Thousands
Have Lived Without Love, Not
One Without Water**

**Karla Olson Teasley
President
Illinois American Water**



Our Environmental Policy

- **Established to clearly outline the roles and responsibilities of the operating units to support making environmental management a fundamental part of our business**
- **Ensure compliance with all environmental regulations**
- **Promote environmental stewardship**
- **Ensure efficient use of natural resources**



Education on Wise Water Use and Effect of Pollution

- **School programs**
 - Art Contest
 - EnviroScape
 - National Theater for Children
 - Events put on by environmental institutes for children
- **Community participation**
 - Green Expos
 - River Day
 - Open Houses



Recycling Efforts

East St. Louis Water Treatment Plant

- Paper
- Cardboard
- Plastic
- Scrap Metal (ferrous and non-ferrous)
- Fluorescent Bulbs (using the “BulbEater”)
- Aerosol Cans
- Batteries (rechargeable and dry cell)



All Other Districts

- Various Programs



Energy Reduction

- **Drinking water and wastewater consume:**
 - 3% of domestic electricity
 - 7% of worldwide electricity
- **Energy is the largest non-labor O&M cost driver: For American Water system-wide, approximately 30% of production related expenses**
- **What are we doing to reduce electrical consumption?**
 - Energy Audits
 - Replacing old motors with motors with Variable Frequency Drives



Reduction of Stream Pollutants

Pharmaceuticals in Drinking Water

- Partnership in communities with Illinois Environmental Protection Agency, local health departments, police, mayors and other community agencies
- Developed a web site to supply information www.epa.state.il.us/medication-disposal/
- Modeled after a program started by students in the Pontiac High School
- Provides a place for people to dispose of unwanted medications so they are not flushed
- To date 18 programs have been implemented in Illinois



Environmental Grant Program

- Our Grant Program was established in 2005
- A way for Illinois American Water to encourage and support our communities as well as improve the watershed
- This year we awarded grants to seven projects across the state of Illinois



Establishing Native Shortgrass Prairies



- **Reduced Maintenance**
- **Increase Biodiversity (attracts wildlife)**
- **Carbon Sink**
- **Aesthetically Pleasing**

LEED - Leadership in Energy and Environmental Design - New Champaign Treatment Plant

- **Geothermal Heating and Cooling (Using the Water Wells)**
- **Pervious Pavement to reduce storm water run off**
- **Native Grass Planting – 15 of the 40 site acres was planted Summer 2009**
- **80% of the occupied space in the plant will have direct sunlight**
- **New facility is zero discharge, discharge water is brought back to the front of the plant, including water off the sludge lagoons. Sanitary wastes are treated through an on-site septic system**

LEED (continued)

- Dark sky lighting used in the parking areas to reduce fugitive light emissions from leaving site
- Recycled materials were used in the new plant construction including recycled aggregate and steel. Construction Waste was recycled during the building process
- Bicycle Parking and a dedicated parking spot for a hybrid vehicle
- Variable Frequency Drive Motors to reduce electricity consumption
- Water efficient fixtures



Piasa Creek Watershed Trading Program

- **\$4 million investment in watershed protection & restoration results in net savings of over \$3 million in capital and operating costs**
- **Reduces sediment in watershed**
- **Reduces truck travel over historic, scenic byways; air pollution; landfill space**
- **Reduced erosion and pollution, improved water quality, storm water control, fish and wildlife habitat, stream bank stabilization**



Residuals Management

- **Water and wastewater treatment plant residuals beneficially reused rather than sent to landfill**
 - Reduces cost by 10% - 70%
 - Conserves landfill capacity
 - Reduces trucking of waste material
 - Agronomic Value
 - ◆ Soil Conditioner
 - ◆ Reduce Fertilizer Application



The True Cost of Water

- **Efforts to sustain a reliable water supply and service also includes education on the true cost of water**
- **Many municipal communities charge artificially low rates that are subsidized by taxes and other revenue sources**
- **The true cost of water includes all costs required to provide service and support sustainability, including timely investments in infrastructure**
- **Charging the true cost of water is endorsed by:**
 - Illinois EPA
 - Chicago Metropolitan Agency for Planning
 - Metropolitan Planning Council

The True Cost of Water (continued)

- **Full-cost pricing for drinking water sends the right signal to customers and encourages**
 - Wise and efficient use of water
 - Promotes environmental sustainability
 - Ensures the necessary funds to maintain facilities
- **Measured as a percentage of household income, the U.S. pays less for water and wastewater than other developed countries**
- **A fundamental shift in thinking is needed**

LESS THAN A PENNY

Did you know that you pay less than a penny for a gallon of our tap water?

We invest millions of dollars each year in our treatment and distribution facilities to ensure that you receive quality, reliable water service around the clock. At the same time, you pay less than a penny per gallon. For most customers, the water bill is the lowest utility bill they pay each month.

That's an exceptional value.

WE CARE ABOUT WATER. IT'S WHAT WE DO.



In Summary: The Landscape and the Challenge

- **We continue our responsibility of educating customers to use water wisely**
- **Practice environmental stewardship**
- **An ongoing need for significant infrastructure replacement and investment**
- **Residential customers are conserving water as demonstrated by a 1.35% drop in water use per year since 2000**
- **This declining sales trend is expected to continue for another 10-15 years**

Impacts of Conservation Under Traditional Rate Design

- **Reduced Demand = Reduced Revenue**
- **Most capital investment needs remain unchanged**
- **Maintenance of existing facilities and high percentage of fixed costs (e.g., labor) remain the same**
- **Necessitates review of rate structures**

Innovative rate design can unlock the economic and environmental benefits that can be achieved through water/energy conservation.

Maintaining Water Utility Viability Under Conservation

- **Appropriate sales forecasting for rate setting process**
- **Conservation pricing / rate structures**
- **Revenue adjustment mechanism (RAM)**
- **Revenue decoupling (higher fixed service charge)**

The Solution Going Forward

- **The solution includes the various industry stakeholders working together as partners**
- **Providing a sustainable water supply and service in the future will require groups such as utilities, regulators and customers to work together to:**
 - Encourage projects that protect the environment
 - Drives public awareness of water and wastewater issues
 - Consider the need for a sustainable water supply and service when evaluating rates
 - Implement mechanisms to promote revenue stability
 - Educate customers on the true cost of water to build awareness of cost drivers and reduce water waste

QUESTIONS ?