



KENTUCKY
AMERICAN WATER

Water System Update

Lexington Fayette Urban County Government

June 12, 2012

History of Kentucky American Water

- **Established as an investor-owned water utility in 1882: Lexington Hydraulic & Manufacturing Company.**
- **Joined parent company, now known as American Water, in 1927.**
- **Used four, man-made reservoirs as sole water sources until drought of 1930, which prompted a waterline to be built to the Kentucky River.**
- **Expanded operations outside Fayette County in late 1960s and early 1970s.**

History of Company, *continued*

- **Started leasing property around Reservoir 4 to the city in 1968 (later named Jacobson Park after long-time company leader, Ernest E. Jacobson.)**
- **Part of RWE/Thames Water from 2003 to 2009.**
- **American Water IPO on April 24, 2008 (AWK on NYSE). RWE divestiture completed in November 2009.**
- **Newest Kentucky River water treatment plant completed in 2010, resolving water supply deficit for our Central Kentucky customers.**
- **Jacobson Park ownership transferred to LFUCG in 2011.**

Today's Operations

- **Serve 123,586 customers (112,006 in Fayette County)**
- **Serve portions of 10 counties (Bourbon, Clark, Fayette, Harrison, Gallatin, Grant, Jessamine, Owen, Scott and Woodford)**
- **138 employees**
- **4 water treatment plants (2 in Fayette and 2 in Owen County)**
- **2 wastewater treatment plants (outside Fayette County)**
- **Kentucky River is primary water source; also use Jacobson Reservoir for customers in Central Kentucky**

Today's Operations, *continued*

- Kentucky Public Service Commission regulates rates and service
- Nearly 2,000 miles of water main
- More than 8,500 fire hydrants
- 26 storage tanks (24.4 million gallons capacity)
- Walk-in Payment centers in Lexington and Owenton
- Customer Service Advocate office (local)
- Two 24/7 Customer Service Centers

Investment in Water Infrastructure

- **AWWA Report: Buried No Longer**
 - Cost of replacing America's water pipes will cost more than \$1 trillion nationwide between 2011 and 2035.
 - Small communities with fewer people to share in the costs face the biggest challenge.
 - Postponing investment only makes the problem worse. Deferring near-term investment increases the likelihood of water main breaks / other infrastructure failures and shifts the overall cost burden to future customers.

Investment in Water Infrastructure: The Good News

- **Kentucky American Water invests approximately \$20 to \$25 million annually in its systems.**
 - Main upgrades
 - Meter upgrades
 - Treatment plant improvements
 - And more
- **Investment in Kentucky River Station II water treatment plant in Owen County secures ample water supply for at least the next 20 to 30 years.**

Focused on Continuous Improvement

- **Committed to managing our operations as efficiently as possible without sacrificing excellent service.**
- **Average residential water bill is about \$34 a month, or approximately less than a penny a gallon.**
- **Examples of improvement efforts:**
 - Information technology system upgrades
 - Regular review of operational structure
 - Ongoing customer research

Exceptional Quality Water

- **Voluntary member of U.S. EPA's Partnership for Safe Water for 13 years.**
 - Treated water meets or exceeds all requirements.
 - A total of only 220 utilities nationwide participate.
 - Six utilities in Kentucky participate.

Ample Water Supply

- **Central Kentucky plagued by water supply deficit for 20 years.**
- **New plant on Kentucky River in Owen County completed in 2010 to meet current and future demands.**
- **Needs can now be confidently met during hot and dry periods.**
- **Peak usage day to date: August 2, 2011 (10.008 MGD)**
- **Significant issue resolved for existing and prospective businesses in region.**
- **Remain open to partnerships with other communities.**

Sewer Billing Agreement

- **Contracted to begin billing services in mid-1990s for:**
 - LFUCG Sanitary Sewer User Fee
 - LFUCG Landfill User Fee
- **LFUCG Water Quality Management Fee (stormwater sewer fee) added in 2010.**
- **Communicated in February 2011 our concerns about billing contracts:**
 - 2010 PSC Order affecting application of payments
 - Continued customer confusion about fees
 - Not our core business
 - Massive IT system upgrades

Environmental Stewardship

- **Committed to protecting and preserving natural resources.**
- **First utility in state to join Kentucky EXCEL environmental leadership program.**
- **More than \$100,000 in grants for community environmental projects since 2006.**
- **More than \$43,000 in Ripple Effect Scholarships to 71 high school seniors since 2002.**
- **Excellence in Water Education awards for schools**

Environmental Stewardship

- **Partnerships with LFUCG**
 - Arboretum/Arbor Day
 - MedToss
 - McConnell Springs
 - Reforest the Bluegrass

- **Partnerships with Bluegrass PRIDE**

- **Partnerships with Fayette County Public Schools**
 - Trout in the Classroom
 - Science fairs
 - Excellence in Water Education
 - Speakers bureau
 - Plant tours

Customer Satisfaction

- **Ongoing research conducted by professional research firm**
- **Overall strong satisfaction ratings but always opportunities for improvement**
- **Midway College research**
 - Resulted in new local position being established to address special needs of major accounts

Community Investment

Taxes Paid

- \$1.6 million in property taxes (2010)
 - \$173,000 in income tax (2010)
 - \$23,000 school tax (2010)
 - \$2.18 million in franchise fees (2011)
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- **Several hundred hours of volunteer service by employees**
 - **More than \$250,000 in civic, charitable and community contributions**
 - Includes more than \$60,000 annual commitment for customers who need assistance with payment of water bill.

Community Investment, *continued*

- **Triangle Park**
- **United Way Get on Board**
- **LexArts**
- **RiverSweep**
- **Southland Jamboree**
- **Thursday Night Live**
- **University of Kentucky FUSION**
- **American Water Charitable Foundation (NEW)**

Challenges for the Future

- Ongoing need to systematically fund and replace aging infrastructure – staying ahead of the curve
- Nationwide need for more succession planning as the most experienced workforce members retire
- Increasingly stringent water quality regulations as science improves
- For some communities, water supply needs
- Water resource preservation and protection

Questions?