

November 17, 2008

Regulatory Best Practices

Infrastructure Surcharges



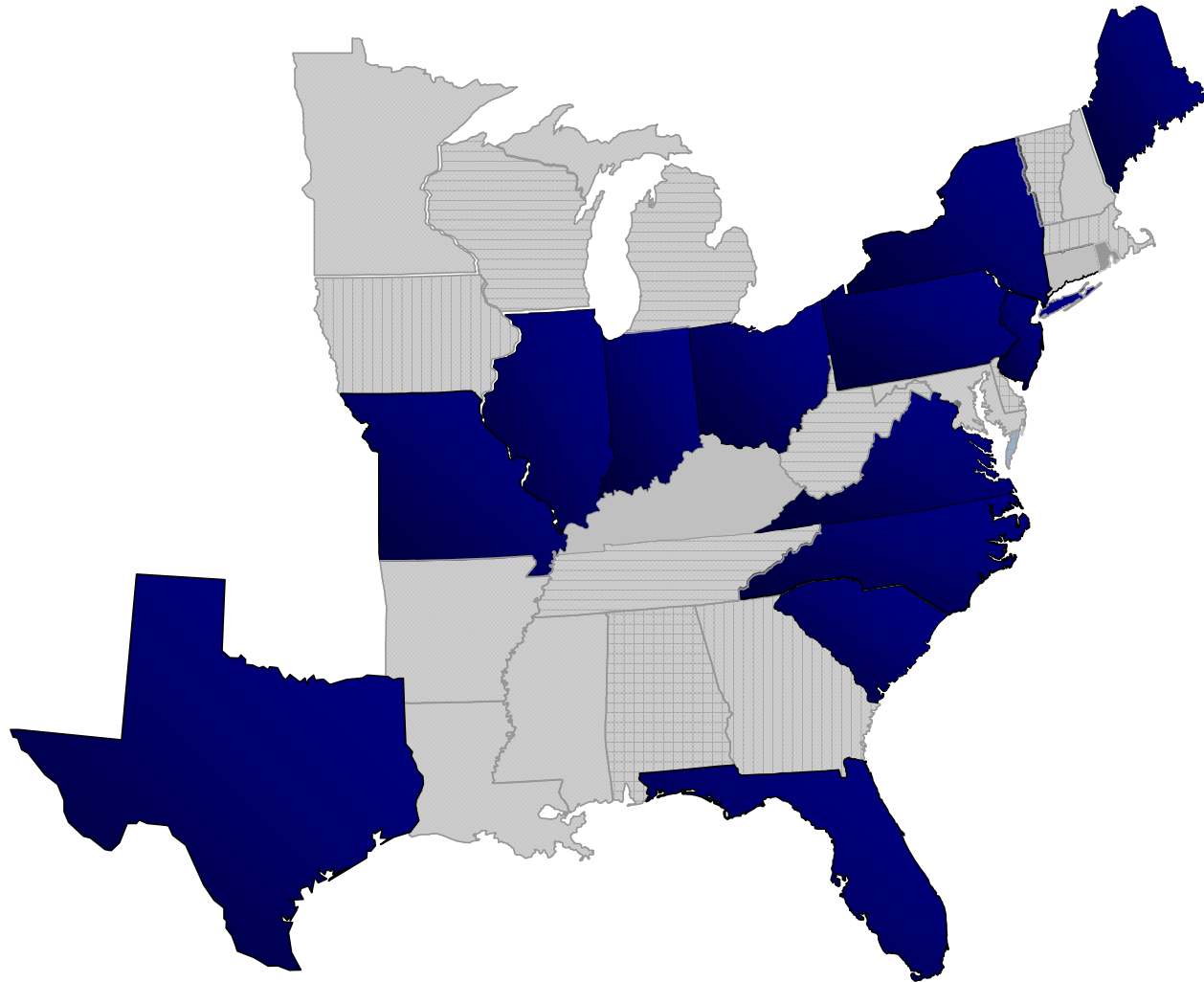
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Regulatory Best Practices: Infrastructure Surcharges

Nicholas DeBenedictis,
Chairman and CEO

Operating Locations



 Current operations



Infrastructure Surcharges

- Connecticut – WICA
- Delaware - DSIC
- Illinois - QIP
- Indiana - DSIC
- Missouri – DSIC
- New York - SIC
- Ohio - SIC
- Pennsylvania - DSIC

Benefits of Infrastructure Surcharges



- **Environment**
 - Address aging infrastructure that presents water quality problems & increased main breaks (boil water notices)
 - New mains installation to eliminate dead ends (facilitates looping projects)

- **Operationally**
 - Aging infrastructure presents pressure problems & main breaks
 - Allows coordination with DOTs and local government
 - Old valves make main breaks more prolonged and impact more customers

- **Public Concerns**
 - Replace fire hydrants and larger pipe for fire flows
 - Provides economic reliability in the community



Illinois QIP

- Effective Jan. 1, 2000
- Water & wastewater
- Collect annually if Prospective Plant; Quarterly if Historical Plant
- Cap: 5% of revenue Between Rate Cases
- **\$ 29.7 Million to date**

Indiana DSIC

- Effective July 1, 2001
- Water only
- Cap: 5% of revenues
- Reconciliation: 30 days after the end of the 12 month period used for DSIC
- **\$ 2.1 Million to date**



Ohio SIC

- Cap: 3% per yr for max of 3 yrs.
- Effective Jan. 6, 2004
- Water & wastewater →
- WW replacement mains; main extensions installed to resolve sewage disposal problems presenting significant safety
- **\$ 8.5 Million to date**

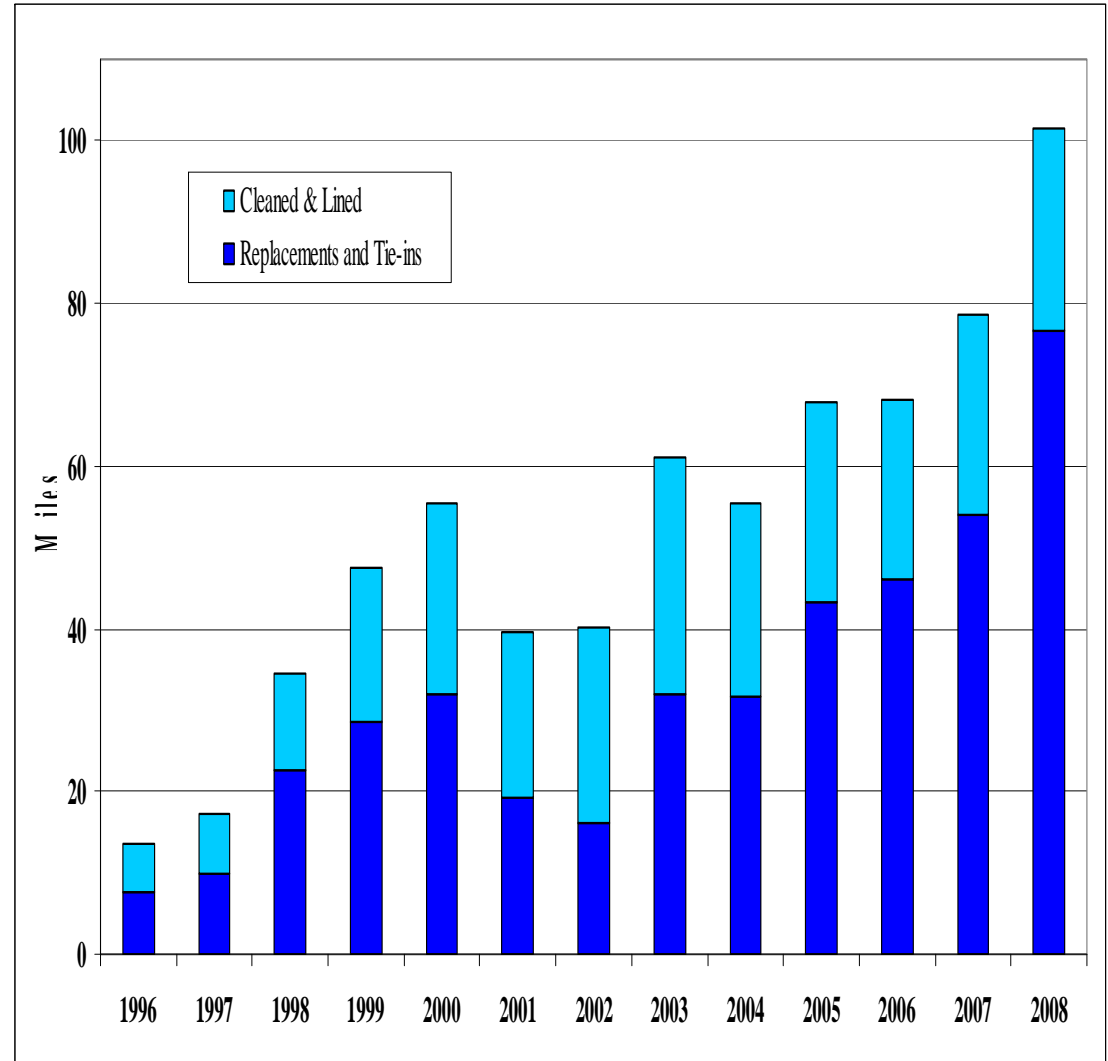
NY SIC

- Case by case
- Relatively new for NY Water Services
- Qualifying plant: wells, treatment plant, replacement mains, meters
- 2006 - **\$3.4 M** iron removal plants
- 2008 – **\$650K** for new well & main work

PA - DSIC



- Cap: 5 -7.5%
- Effective Jan. 1, 1997
- Water only



Pipe Cleaning and Lining

Before

After



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Proactive Service





Aqua PA Asset Management Initiatives:

AIMS and GIS

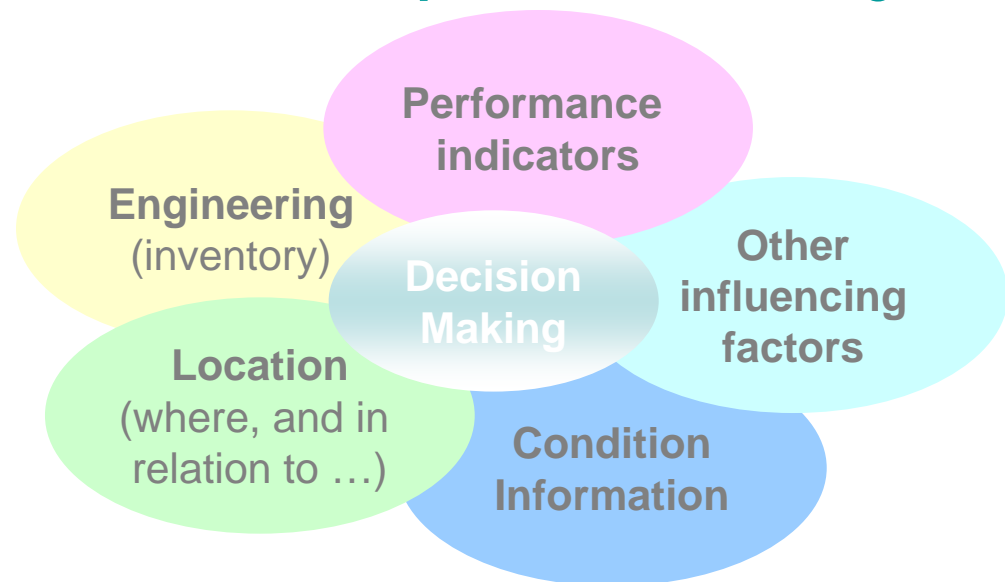
Winner of the "Management and Innovation
Award" from the National Association of
Water Companies

Initial Goals of the Project

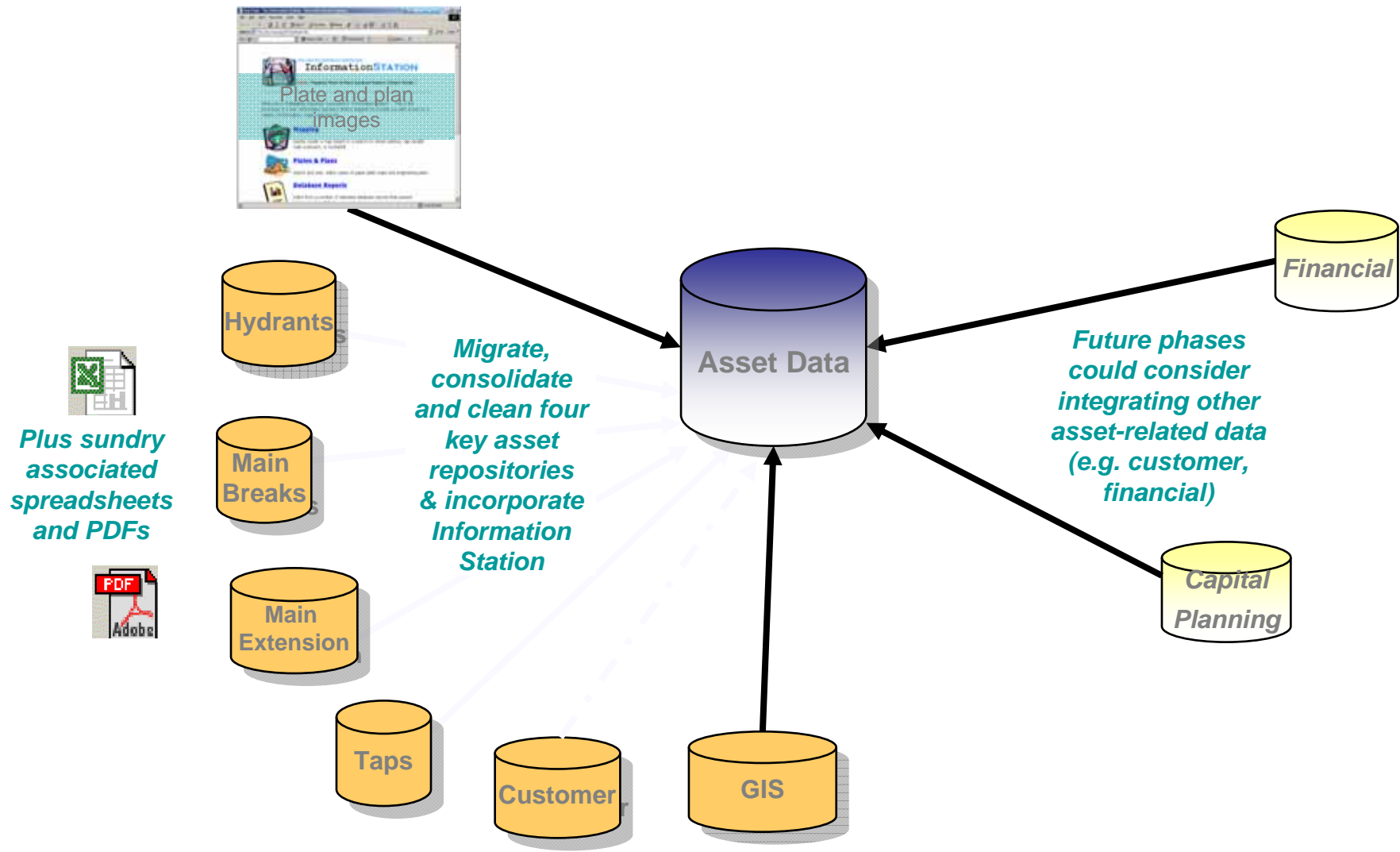
- Understanding what is happening to aging infrastructure in the distribution system – **How will it impact public safety, risk management, replacement capital projects, service reliability and future maintenance work loads ?**
- These decisions will be aided by certain information or indicators (e.g. type of pipe, condition of pipes, break rate, public safety, environmental impacts, criticality rating etc.)

How effective is asset-related decision making?

Is it having a beneficial impact for the business and customers?



AIMS Data Sources

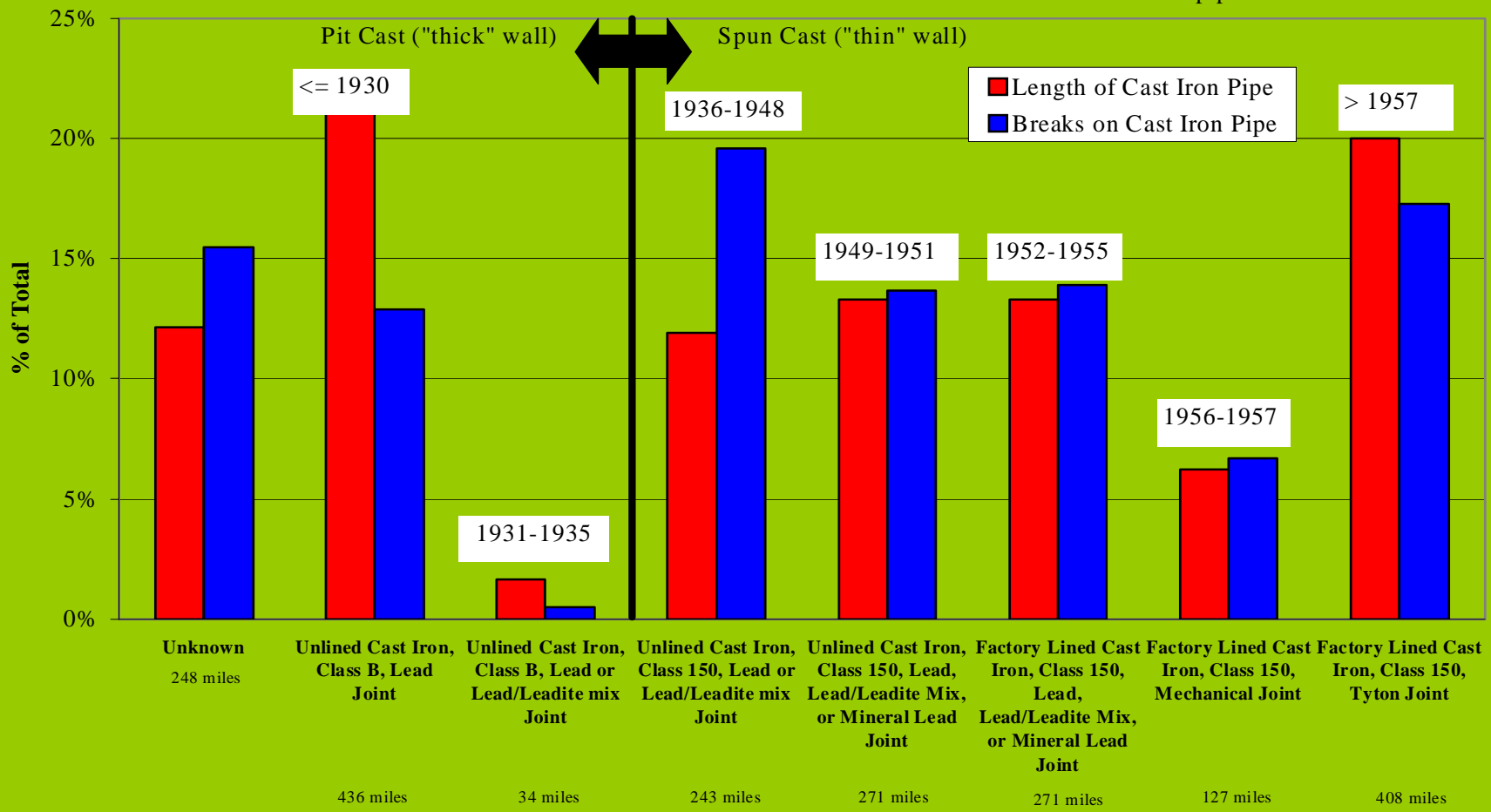


Understanding the past to prepare for the future

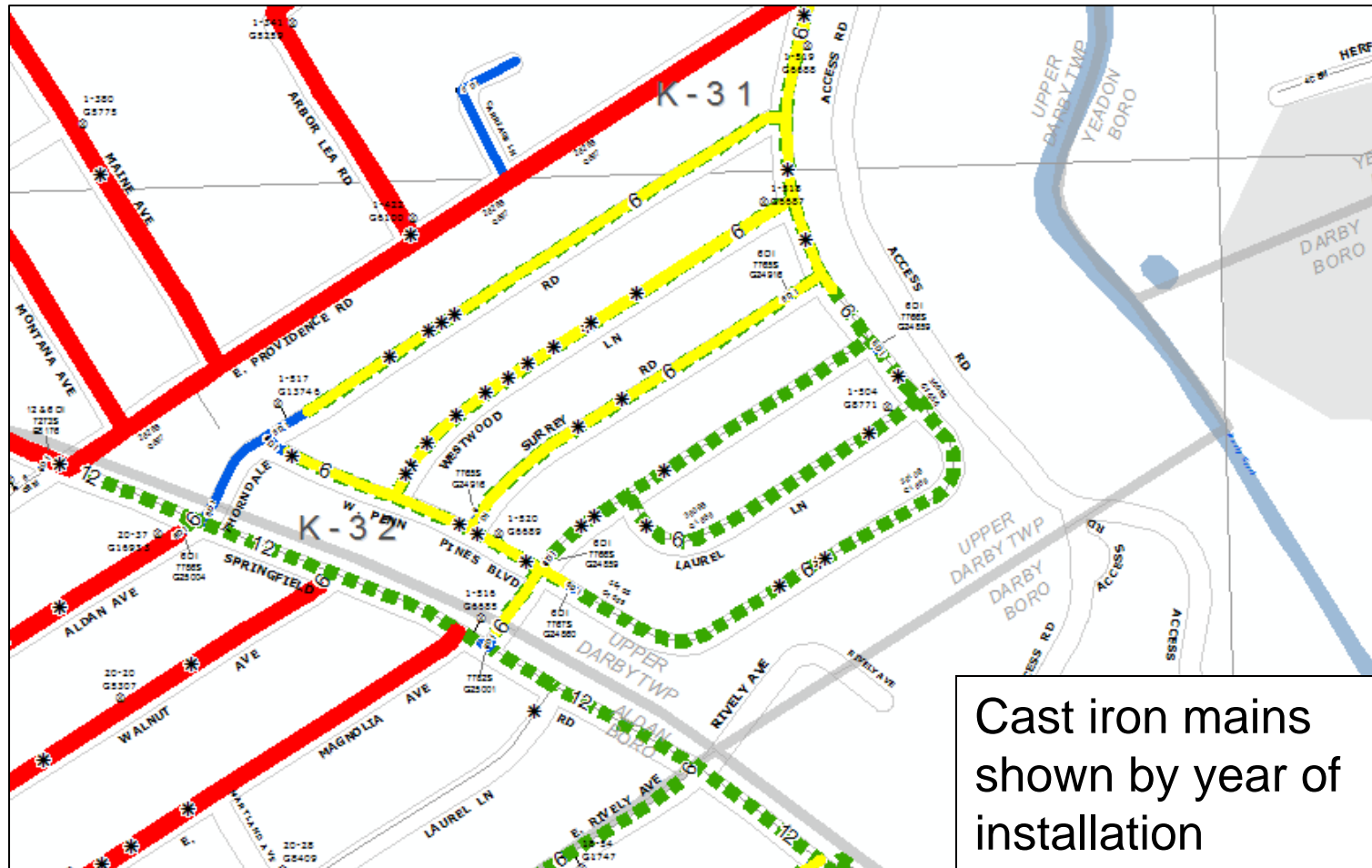


1996-2006 Cast Iron Main Breaks by Pipe Vintage

Note: Length of CI pipe is end of year 2006. Breaks on CI pipe is 1996-2006.



Simple features can be combined to create sophisticated decision-support maps



Summary



- Prepare and plan for the future now
- Understand the needs of your system
- Infrastructure surcharges target environmental, operational and public safety concerns
- Encourage economic development