



AMERICAN WATER

Key Water Infrastructure Issues 2015

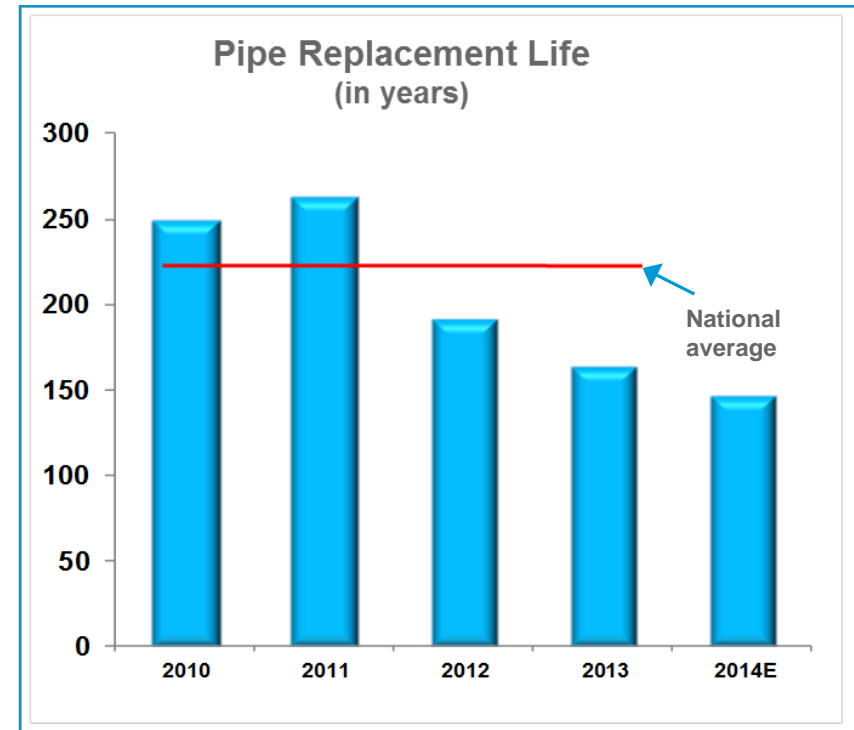
**2015 Southeast Water Infrastructure Summit
Executive Roundtable: The State of the Water Industry
Charleston, South Carolina
April 30, 2015**

Presenter: Nick Rowe, SVP Central Division, American Water

Critical Need for this Generation's Investment

American Society of Civil Engineers¹

- U.S. Water & Wastewater Infrastructure= “D” Grade
- “near the end of its useful life”
- State-reported water & wastewater needs next 20 years:
 - SC: \$2.2 billion²
 - NC: \$16.6 billion³
 - GA: \$10 billion⁴
 - TN: \$4.1 billion⁵

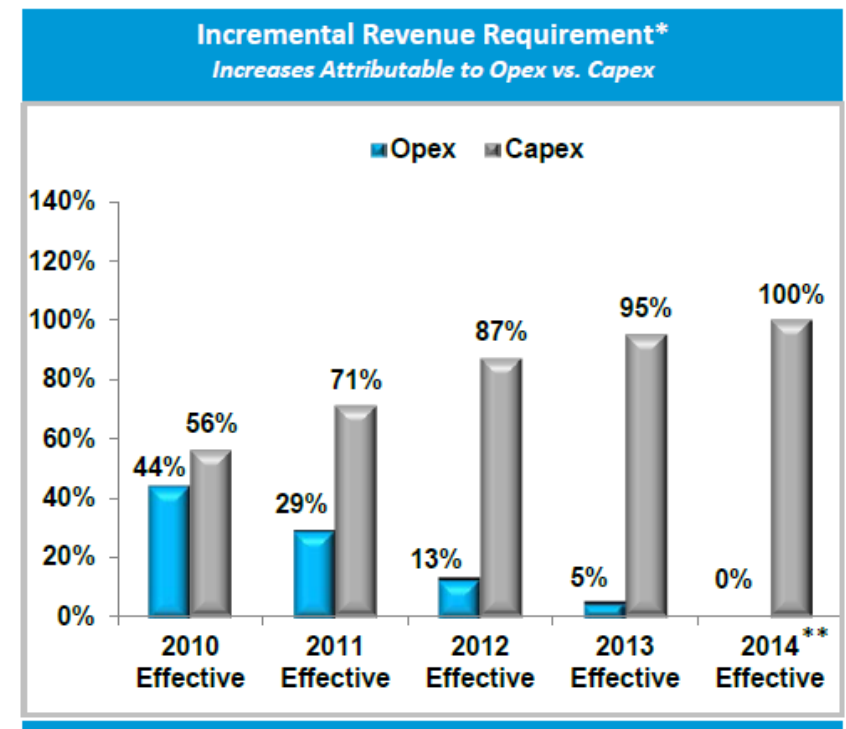
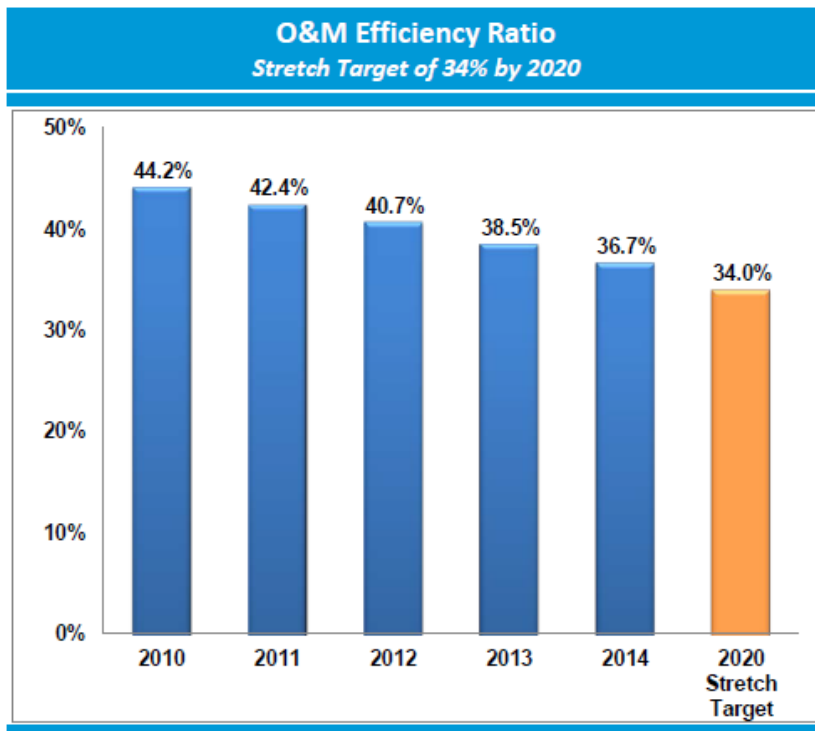


AW's pipe replacement rate is shortening

- Jobs: 20,000-27,000 jobs created for every \$1 billion spent⁶

Cost Control

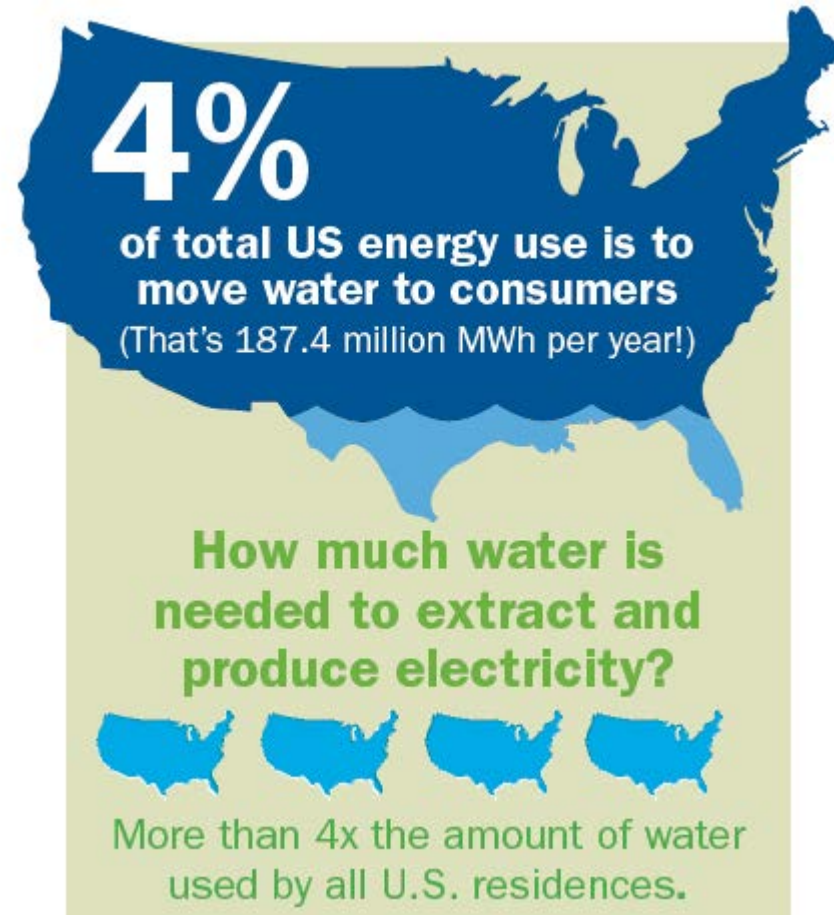
By driving down O&M, American Water strives to ensure that increases in rates go to fund infrastructure investment.



Water Energy Nexus Investing in Efficiency & Energy Security

Water and energy are
closely related

Achieving water-
energy efficiencies
is a key step to
environmental
sustainability &
energy security.



At 4 percent it is an estimated cost of **\$4 billion annually**

Supportive Policies

State Policy Makers Play a Key Role in Shaping the Future

- **NARUC resolutions are a good place to start:**
 - “Resolution Endorsing Consideration of Alternative Regulation that Supports Capital Investment in the 21st Century for Water and Wastewater Utilities” (November 2013)
 - “Resolution Regarding the Water-Energy Nexus” (November 2014)
- **Infrastructure recovery**
 - More and more states are moving toward infrastructure surcharge mechanisms for the water industry
- **Revenue stabilization**
 - Aligning the interests of utilities and customers can unlock the full opportunity for energy-water efficiency.

References

- 1 “2013 Report Card for America’s Infrastructure Executive Summary”, American Society of Civil Engineers, p.5
- 2 http://www.infrastructurereportcard.org/south_carolina/south-carolina-overview/
- 3 http://www.infrastructurereportcard.org/north_carolina/north-carolina-overview/
- 4 <http://www.infrastructurereportcard.org/georgia/georgia-overview/>
- 5 <http://www.infrastructurereportcard.org/tennessee/tennessee-overview/>
- 6 “Sudden Impact: An Assessment of Short Term Economic Impacts of Water and Wastewater Construction Projects in the United States”, Clean Water Council, 2009.

Footnotes

*Approximation in states where we received black box award

**For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures.