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Challenges in the New Age of Water

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AMWA
October 17, 2011
Providence, RI

The New Age of Water

Water Industry Panel

Pat Mulroy – Las Vegas Source Challenge

Ed Archuleta – The Regulatory and Quality Challenge

George Hawkins – The Communications Challenge

Greg Heitzman - Transforming the American Water Utility

The Golden Age of Water

1850 to 2000s

- Water has been unlimited, safe and free (Fishman)
- Abundant/Adequate Source Water since Industrial Revolution
- Industrial/Manufacturing/Technology Growth Cycles
- Advances in Engineering and Science Solutions
- Advances in Technology and Process Optimization
- Abundant Supply for Agriculture and Food Production

The Golden Age of Water

1990 - 2007 – leveraging the utility

- Growth Economy
- Technology Enabler
- Manageable Regulations
- Access to Low Cost Capital (<5%)
- Organic Growth in Revenues
- Low Inflation (< 3%)
- Annualized Rate Increases of 1.5 to 2X CPI
- Content Consumer Base and Political Environment

The New Age of Water

2008 to ????? → De-leveraging utility operations

- Economic Collapse of 2008
- Variable Weather Patterns
- Declining per Capita Consumption (conservation)
- Stagnant or Declining Revenues
- Rising Labor, Health and Retirement costs
- Preparing for Inflation
- Preparing for Future Water Quality Regulations



Transforming the American Water Utility

- 1. New utility/business models will emerge**
- 2. Regional and economic partnerships will develop**
- 3. Business efficiencies will accelerate**
- 4. Utilities must enhance revenue (non traditional)**
- 5. Utilities must build “Rate Capacity”**
- 6. “Smart Water” Opportunities**

Transforming the American Water Utility

1. New Utility/Business Models Emerge

- Regional Authorities (Southern Nevada/Las Vegas)
- Municipal Corporations (Louisville, Orlando, EPCOR)
- Public Trust (Indianapolis)
- Investor Owned Acquisitions (American, Aqua)
- Private Contract Operations (United, Veolia)
- Pressure to combine Water/Sewer and other utilities

Transforming the American Water Utility

2. Regional and Economic Partnerships

- EPA will promote regional solutions
- Tighter city budgets will promote regional thinking
- Slow economy will promote business partnerships
- Utility partnerships will develop
- Community (not for profit) partnerships will enhance utility value

Transforming the American Water Utility

3. Efficiencies and Innovation will Accelerate

- Smart Water Solutions will Develop
- New Information Technology (CIS, AMR,AMI)
- New Human Resourcing Models
- Shared Systems
 - Communications (emergency, internet)
 - Procurement
 - Engineering
 - Back office accounting, payroll, human resources

Transforming the American Water Utility

4. Utilities Must Enhance Revenue

- Water revenues are stagnant
- Water rate increase are difficult in this economy
- Revenue enhancement methods
- Regional Growth through merger/acquisition
- New Lines of Business
 - Contract Operations
 - Service Line Protection
 - POU/POE devices

Transforming the American Water Utility

5. Utilities must build “Rate Capacity” due to:

- Consumer pushback from large rate increases (>10%)
- Declining consumer perception of price/value
- Impact of Billion \$ Sewer Consent Decrees on monthly “water” bill
- Growing Frustration with consumers and elected officials (Tea Party, Occupy Movement, Media)

Transforming the American Water Utility

5. “Rate Capacity” through Traditional Technology

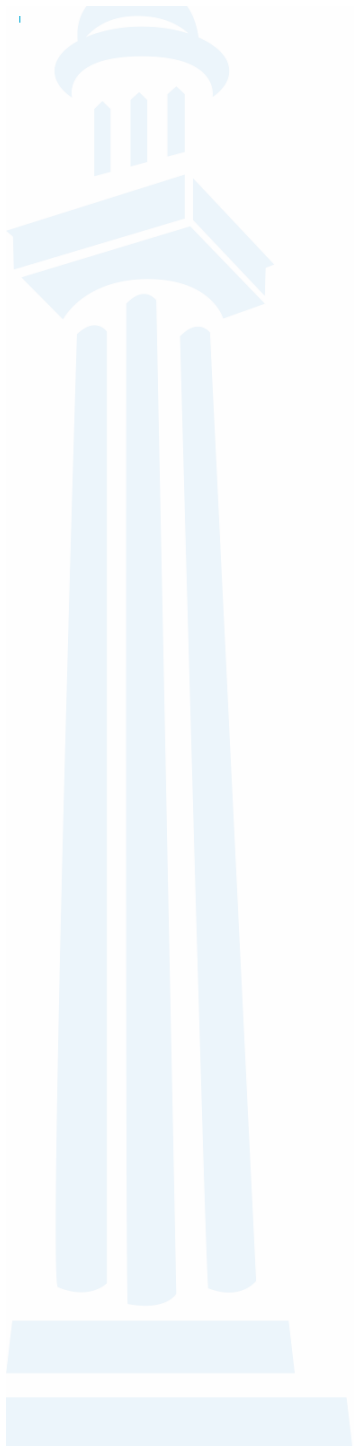
- Affordability Programs
- Enhanced Customer Billing Systems (24/7 access)
- AMI technology for billing, leak detection, theft (24/7)
- Enhanced Customer Communications (social, e-mail)
- Community/Education Partnerships (health and science)
- Global Water Outreach Opportunities (W4P)

Transforming the American Water Utility

6. Rate Capacity and Revenue through “Smart Water”

- Condition Assessment Technology for Infrastructure
- Point-of-Use Treatment to fit consumer needs
- Water Footprints and Customer Signatures
- New Technologies (quality, testing, service, information)
- Provide various “grades” of water for domestic, special use, recycling/reuse, etc.

**Essentially we must become the community
water expert!**



Questions

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